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The Wine Spectator California Winemen Oral History Series

Louis Gomberg

ANALYTICAL PERSPECTIVES ON THE CALIFORNIA WINE INDUSTRY, 1935-1990

With an Introduction by
Julius Jacobs

An Interview Conducted by
Ruth Teiser
in 1990

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of Northern California, the West, and the Nation. Oral history is a modern research technique involving an interviewee and an informed interviewer in spontaneous conversation. The taped record is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The resulting manuscript is typed in final form, indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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Copy no. 1

Suzanne and Louis R. Gomberg celebrating Louis Gomberg's eightieth birthday in 1987.

Cataloging Information

GOMBERG, Louis R. [b. 1907] Wine consultant

Analytical Perspectives on the California Wine Industry, 1935-1990, 1990, 88 pp.

Wine Institute, 1935-1948; California wine industry: growth after Repeal, changing from bulk sales to bottled wine, changing products, marketing, antitrust threat of 1942; Wine Advisory Board, 1938-1975; Winegrowers of California, 1984-1987; winery ownership changes; Louis Petri; developing statistics; market stabilization; decline in consumption; anti-alcohol movements.

Introduction by Julius Jacobs, journalist.

Interviewed in 1990 by Ruth Teiser for the Wine Spectator California Winemen Series. The Regional Oral History, The Bancroft Library, University of California, Berkeley.

TABLE OF CONTENTS -- Louis R. Gomberg

PREFACE

The California wine industry oral history series, a project of the Regional Oral History Office, was initiated in 1969 through the action and with the financing of the Wine Advisory Board, a state marketing order organization which ceased operation in 1975. In 1983 it was reinstituted as The Wine Spectator California Winemen Oral History Series with donations from The Wine Spectator Scholarship Foundation. The selection of those to be interviewed is made by a committee consisting of James D. Hart, director of The Bancroft Library, University of California, Berkeley; John A. De Luca, president of the Wine Institute, the statewide winery organization; Maynard A. Amerine, Emeritus Professor of Viticulture and Enology, University of California, Davis; the current chairman of the board of directors of the Wine Institute; Ruth Teiser, series project director; and Marvin R. Shanken, trustee of The Wine Spectator Scholarship Foundation.

The purpose of the series is to record and preserve information on California grape growing and wine making that has existed only in the memories of wine men. In some cases their recollections go back to the early years of this century, before Prohibition. These recollections are of particular value because the Prohibition period saw the disruption of not only the industry itself but also the orderly recording and preservation of records of its activities. Little has been written about the industry from late in the last century until Repeal. There is a real paucity of information on the Prohibition years (1920-1933), although some commercial wine making did continue under supervision of the Prohibition Department. The material in this series on that period, as well as the discussion of the remarkable development of the wine industry in subsequent years (as yet treated analytically in few writings) will be of aid to historians. Of particular value is the fact that frequently several individuals have discussed the same subjects and events or expressed opinions on the same ideas, each from his own point of view.

Research underlying the interviews has been conducted principally in the University libraries at Berkeley and Davis, the California State Library, and in the library of the Wine Institute, which has made its collection of in many cases unique materials readily available for the purpose.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to recent California history. The office is headed by Willa K. Baum and is under the administrative supervision of James D. Hart, the director of The Bancroft Library.

Ruth Teiser
Project Director
The Wine Spectator California Winemen
Oral History Series

September 1990
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CALIFORNIA WINE INDUSTRY INTERVIEWS

Interviews Completed by 1990

Leon D. Adams, Revitalizing the California Wine Industry, 1974

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Maynard A. Amerine, The University of California and the State's Wine Industry, 1971

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Philo Biane, Wine Making in Southern California and Recollections of Fruit Industries, Inc., 1972

John B. Cella, The Cella Family in the California Wine Industry, 1986

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Burke H. Critchfield, Carl F. Wente, and Andrew G. Frericks, The California Wine Industry During the Depression, 1972

William V. Cruess, A Half Century of food and Wine Technology, 1967

Jack and Jamie Peterman Davies, Rebuilding Schramsberg: The Creation of a California Champagne House, 1990

William A. Dieppe, Almaden is My Life, 1985

Alfred Fromm, Marketing California Wine and Brandy, 1984

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Joseph E. Heitz, Creating a Winery in the Napa Valley, 1986

Maynard A. Joslyn, A Technologist Views the California Wine Industry, 1974

Amandus N. Kasimatis, A Career in California Viticulture, 1988

Morris Katz, Paul Masson Winery Operations and Management, 1944-1988, 1990

Legh F. Knowles, Jr., Beaulieu Vineyards from Family to Corporate Ownership, 1990

Horace O. Lanza and Harry Baccigaluppi, California Grape Products and Other Wine Enterprises, 1971

Louis M. Martini and Louis P. Martini, Wine Making in the Napa Valley, 1973

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Eleanor McCrea, Stony Hill Vineyards: The Creation of a Napa Valley Estate Winery, 1990

Otto E. Meyer, California Premium Wines and Brandy, 1973

Norbert C. Mirassou and Edmund A. Mirassou, The Evolution of a Santa Clara Valley Winery, 1986

Peter Mondavi, Advances in Technology and Production at Charles Krug Winery, 1946-1988, 1990

Robert Mondavi, Creativity in the Wine Industry, 1985

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Myron S. Nightingale, Making Wine in California, 1944-1987, 1988

Harold P. Olmo, Plant Genetics and New Grape Varieties, 1976

Cornelius Ough, Researches of an Enologist, University of California, Davis, 1950-1990, 1990

Antonio Perelli-Minetti, A Life in Wine Making, 1975

Louis A. Petri, The Petri Family in the Wine Industry, 1971

Jefferson E. Peyser, The Law and the California Wine Industry, 1974

Lucius Powers, The Fresno Area and the California Wine Industry, 1974

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Edmund A. Rossi, Italian Swiss Colony and the Wine Industry, 1971

Edmund A. Rossi, Jr., Italian Swiss Colony, 1949-1989: Recollections of a Third-Generation California Winemaker, 1990

Arpaxat Setrakian, A. Setrakian, a Leader of the San Joaquin Valley Grape Industry, 1977

Elie Skofis, California Wine and Brandy Maker, 1988

Andre Tchelistcheff, Grapes, Wine, and Ecology, 1983

Brother Timothy, The Christian Brothers as Wine Makers, 1974

Ernest A. Wente, Wine Making in the Livermore Valley, 1971

Albert J. Winkler, Viticultural Research at UC Davis (1921-1971), 1973

INTRODUCTION -- Louis R. Gomberg

There's really no doubt about it at all. Louis R. Gomberg is a charismatic man, an octogenarian who is in love with life. Go to any wine event anywhere and you're more than likely to run into "Lou" and his sweet-faced wife, Suzanne, a noted artist in her own right. It can be as far north as Mendocino or down south in Paso Robles--but if the wine event is an important one, he'll be there.

The white-bearded Gomberg wears any number of hats: wine consultant, statistician, lawyer, one-time real estate broker, a journalist for more than a decade, a protagonist for the United Nations and the One World concept--he's trod all these paths and lost little if any enthusiasm for any of them.

But mix them all up or put them into a hat and draw straws for his most favored subject; odds are that wine, and making wine the favorite beverage of moderation for all Americans, are his consuming passion. Since he has been at this ruling conviction for more than a half century, it's easy to see why Louis Gomberg is one of the most respected wine analysts in the country today.

I met Lou Gomberg in 1957 when I was an executive for the Wine Institute, for which he labored some years earlier. He, at this time, was a consultant to the public relations agency which represented California wines under contract to the Institute and the old Wine Advisory Board. Since I was a liaison person with the agency and Lou represented them from his San Francisco offices, our paths crossed regularly in the workplace. The correspondence which passed between us was on almost a daily basis.

No facet of the wine industry crossed his desk without careful scrutiny. Before computers were beyond the planning stages and consisted of roomfuls of bulky machinery, this tweedy gentleman was running scrupulous computations for the Wine Institute from the mid-1930s through the mid-50s. He originated and polished an early-day economic and statistical section which is still the envy of many professionals involved in gathering data for the wine and spirits trade.

Radical in many political outlooks, a humanist by preference and conviction, Lou Gomberg appears more the dapper conservative in dress

and old-fashioned good manners. But one should never confuse good manners and courtliness with a lack of "fire in the belly" and an impassioned viewpoint when it comes to the subject of wine and its role in society. Many have made the mistake of crossing swords with an idealist who holds very pragmatic convictions and is willing to fight very hard for them.

In the decades of writing about, speaking and lecturing about, and promoting California's predominant position in American wine production, Louis Gomberg has established some notable "firsts." One of these was bringing together John Daniel, Jr., and his famed Inglenook Winery with the much larger United Vintners organization. This resulted in a sale which set new precedents for the flood of smaller winery sales, mergers, or consolidations with much larger entities which had much greater marketing capabilities. Some were American corporations and others in more recent years were foreign concerns. Lou was a key figure in many of the negotiations.

Another achievement was Lou's establishing for the first time an organization of attorneys intrigued with wine and anxious to know more about it. Thus in 1965 a group of San Francisco lawyers, with Gomberg's key advice and experience, created the Lawyer Friends of Wine. The organization was fortunate to have Louis as its creator, secretary, advisor, creative spirit, and keeper of the records for two decades. Lawyer Friends still meets eight to ten times a year, has close to a hundred members, and Lou is the honorably retired secretary-emeritus. While serving actively with this professional group he was the planner and arranger of travels throughout the wine districts of the state for thousands of attorneys who gathered in San Francisco regularly at the American Bar Association conventions. On several occasions he was the point man in dispatching as many as 1,500 bar delegates and their wives to wine country vineyards and wineries, making warm friends for the industry.

More than twenty years earlier, in the 1960s, Gomberg also planned and established a brand new wine event, a huge charity tasting for the benefit of Aid to Retarded Children. In succeeding years this event has attracted thousands and raised huge amounts to help retarded citizens. Far from being an academic in an ivory tower, this lawyer who never practiced law on any formal basis practiced instead a practical way of helping both wineries and good causes.

In earlier years, the energetic Gomberg maintained he needed as little as three or four hours of sleep to be fully refreshed for the next day's labors. In more recent years, however, he has been known

to nod off for a refreshing nap at long or tedious wine meetings and hearings. One more dimension to the remarkable Lou's versatility: Although complaining of stiff fingers and a lack of any proper "practice," this wine consultant can, on appropriate occasions and if properly motivated, sit down at the piano and perform with skill and dexterity. Not for nothing was he a youthful piano prodigy before he ever heard of a fermented grape product known as wine.

And optimism? Lou Gomberg truly believes that some day Americans will eagerly consume large volumes of red, white, and blue wines. Blue wine? Furthermore, back in the late 1980s he made reservations to attend an international wine conference to be held in Europe some time after the turn of the century. He will then be approaching his hundredth birthday. Now, THAT is confidence in the future!

Julius Jacobs

Napa, California
June 1990

INTERVIEW HISTORY -- Louis R. Gomberg

Louis R. Gomberg, whose association with the California wine industry began in 1935 when he started working at the Wine Institute, was for most of the years between 1948 and 1983 a business consultant to those with winery interests. Keeping track of industry economic trends, largely through analyzing statistics, he was well established as an advisor until 1983, when he sold his consulting business to Jon Fredrikson. Over the years he has written many articles for Wines & Vines and other publications, comments and forecasts. He is also frequently called upon by the general press to comment upon wide industry changes and events.

Still energetic at the age of 76 when he formally retired, and still energetic today at the age of 83, he continues to maintain his San Francisco office, traveling there almost daily from his home in Marin County. It was in his office that the three sessions of this interview were held, on February 14, February 19, and February 22, 1990. He was, as can probably be deduced from his account, an energetic and enthusiastic participant.

In reading over the transcript, he made some changes in wording, added some information, and gave replies to a few further questions the interviewer asked in writing. In a final conference, he clarified some statements.

Ruth Teiser
Interviewer-Editor

July 1990
Regional Oral History Office
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University of California, Berkeley

Regional Oral History Office
Room 486 The Bancroft Library

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Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name Louis Roos Gomberg

Date of birth January 29, 1907 Birthplace Duluth, Minnesota, U.S.A.

Father's full name William Gomberg

Occupation Merchant/Contractor (home repairs) Birthplace Elizabethgrad, Russia

Mother's full name Bertha Roos Gomberg

Occupation Housewife Birthplace Freiburg, Germany

Your spouse Suzanne Witz Simon Gomberg

Your children Dr. David Roos Gomberg, Dr. Paul Roos Gomberg, Lynn Elizabeth McCarl; step-children: Nancy Simon Hersh, Mark Reid Simon

Where did you grow up? Duluth, Minnesota, then (one year) Manhattan, New York; (one year) Chicago, Illinois and (9 yrs.) Ann Arbor, MI

Present community Tiburon, Marin County, California

Education Bachelor of Arts degree, 1928 (economics major, statistics minor); and Juris Doctor degree, 1931 -- both University of Michigan

Occupation(s) (1) Concert pianist, 1912-1918; (2) Journalist, 1924-1935; (3) Lawyer, 1932-1933; (4) Trade Association research director (Wine Institute), 1935-1948; (5) Wine Industry Consultant (self-employed), 1948-1986; (6) Semi-retired, 1986- .

Areas of expertise Wine industry economics and statistics; government regulations; vineyard and winery startup guidance; marketing policy, planning, programming; competition evaluation; company and industry historic developments (mainly post-Repeal of 18th Amendment to U. S. Constitution), etc.

Other interests or activities Humanism, as global movement, to supersede historic and contemporary differences in nationalism, religionism, economism, politics, etc. (past President and Director of American Humanist Association); also, longtime advocate of global project to study and ultimately replace as many anti-societal values as possible, e.g., greed, power-lust, hate, vengeance, etc.

Organizations in which you are active American Humanist Association, American Ethical Union, Commonwealth Club, Wines & Vines, American Society of Viticulture and Enology, American Society of Wine Education, Lawyer Friends of Wine -- all semi-active.

EARLY YEARS

Childhood and First Career, 1907-1924

[Interview 1: February 14, 1990]##[1]

Teiser: I'll begin by asking you when and where you were born.

Gomberg: The when was the year 1907, and the where was a little town called Duluth, Minnesota. I had my first career, unlike most children, when I reached the tender age of five. My sister was a professional--in those days they called it "jazz" or "ragtime"--orchestra leader. She took me to her teacher one day--the one who taught her piano--and the teacher said, "I think this child could learn to play." I did learn to play, and by the age of six she decided that I should go on the stage. So I performed from the age of six to the age of ten, and then she died. Arrangements were made for me to go to New York and study with a teacher there, and I did. That was in 1918; I was eleven years old.

I studied for one year, came back to Duluth for a vacation in the summer, and the teacher in New York died. So that was the end of my career as a professional pianist, except for a few performances that I gave later on. But that was the main end of it.

Teiser: The year that it ended was--?

Gomberg: I was twelve, so that was 1919. I say that I retired at the age of eleven or twelve.

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[1]This symbol (##) indicates that a tape or a portion of a tape has begun or ended. For a guide to the tapes, see page 85.

Teiser: When you went to school, where did you go to school?

Gomberg: I went to a public school in Minnesota, but when I got to New York I went to a very fine private school called Ethical Culture School.

Teiser: Did you go back to Minnesota, then, for high school?

Gomberg: I went back to Minnesota, skipped the eighth grade, and entered high school at twelve. So I was a little younger than the average.

Teiser: Then where did you go to college?

Gomberg: I finished high school at sixteen in 1923, and went to Chicago for a year. My sister had the idea that I should go back on the stage, and so I played for a short time at a theater in Chicago. Then I decided that that was not going to be my career, but I spent the rest of the year in Chicago, and returned in early 1924 to Minnesota and took a three-month course in accounting, which turned out to be very valuable later, because knowledge of what accounting is all about is very helpful.

University, Law, and Journalism, 1924-1935

Gomberg: I entered the University of Michigan in '24, and got my bachelor's degree in '28, with one year of law included in that four years because I took what was called a combined curriculum. You could get your A.B. degree in three years instead of four, which I did, but I didn't get the A.B. until the end of my first year of law.

Then, for some reason I don't recall, I decided to go back into music, so I went to the University of Michigan School of Music for a year. At the end of that year I decided that still was not going to be my career. So I finished the law school course in 1931 and got my Doctor of Law degree then.

All during this period of college and law school, I was self-supporting, because my parents couldn't afford to support me.

Teiser: How did you support yourself?

Gomberg: I was a newspaper man. I was correspondent for the Detroit Times, and I had about twenty other newspapers for which I was freelance correspondent.

Teiser: Did you practice law after you finished law school?

Gomberg: I practiced law for about two years after I finished law school in '31.

Teiser: Where?

Gomberg: Right at Ann Arbor. I used my own automobile as an office, because that was the bottom of the Depression, and I couldn't afford to rent an office with no practice yet. I tried it out for about two years, and decided that law was not my career either.

Teiser: When did you come to California?

Gomberg: I came to California in the summer of 1933. I came right to San Francisco, and got a job within three weeks on the Chronicle as a staff reporter.

Teiser: You wrote on your Wine Institute biographical sheet, "S.F. General Strike, 1934, Chronicle."

Gomberg: Yes. I was on the Chronicle during the General Strike, and I helped to cover it for the Chronicle. I wasn't the only one; there were about half a dozen of us covering the strike. I received a little gold medal, which I still have, complimenting me on my having served the Chronicle during the strike. [laughs]

Teiser: That must have been a tense time.

Gomberg: It was, very. But it's been typical of my entire life: unusual circumstances and conditions, just as that one was.

I was on the Chronicle for about a year. Let's see, I came out in June of '33, I got my job in July of '33, and I was there until June of '34, except that a good part of that year I spent in Marin County as correspondent for the Chronicle because they didn't have any assignment for me here in the city. So I got this job as correspondent. I lived in San Rafael and San Anselmo.

Then, in the latter part of '34, I decided I'd better come back to San Francisco. I looked for an opening here, and I was lucky enough to find one with the Associated Press as acting day city editor, because the city editor was on leave of absence. But within a few months he came back, so they switched me to night city editor, which I was until I went to the Wine Institute in 1935.

In 1984 the Wine Institute gave a luncheon at Jack's Restaurant in San Francisco honoring early members and associates. Left to right, standing at rear: John A. De Luca, president, Wine Institute; Albert B. Cribari, Guild Wineries; Maynard A. Amerine, professor emeritus, University of California at Davis; Otto E. Meyer, former president of Paul Masson; Edward V. Prati, Martini & Prati; B.C. Solari, formerly with United Vintners; John B. Cella II, Guild Wineries; Edmund A. Mirassou, Mirassou Vineyards; (in front of Mr. Mirassou) Leon D. Adams, former Wine Institute legal counsel; Brother Timothy, Christian Brothers; Louis R. Gomberg. Seated: Elmo Dante Bagnani, formerly of American Industries Corp. and the California Wine Vinegar Institute; and Joseph Vercelli, formerly with Italian Swiss Colony.

WORKING AT THE WINE INSTITUTE, 1935-1948

Getting the Job

Teiser: How did you happen to go to the Wine Institute?

Gomberg: My mother tells me that way back, in her family in Germany, there were some vintners--wine merchants--and I guess I must have had a desire to get not necessarily into wine, but into agriculture.

Teiser: Did you know that you had any background of that kind?

Gomberg: No, I didn't know it at that time. I found it out later.

Teiser: But you had the predisposition--

Gomberg: [laughs] I wanted to get into agriculture because I felt it had a great future in California. I talked to the then financial editor of the Associated Press. His name was Walter Warren; I remember it well, because he said, "Look, there's one person who knows the agriculture situation in California very well, right here in the city. His name is Leon Adams, so go on over and see him, and he'll tell you all about what's available in agriculture for one of your background and training." And he did.

I went to see Leon, and it just happened by coincidence that he was putting together the Wine Institute at the time. He said, "We're looking for someone with five qualifications." I said, "What are they?" He said, "Number one, you should have writing ability." I said, "Well, I've been a newspaper man all through college and law school, and two years afterwards, so I consider myself qualified on that score." He said fine.

Leon said, "He should also have legal training." I said, "I have a law degree, and I practiced law for a couple of years, so I think I'm qualified on that ground. What else?" He said, "He should also have a background in economics." I said, "Economics was my major as an undergraduate." "Oh, is that so? What about statistics? That's very important." I said, "Statistics was my minor as an undergraduate. What else?"

He said, "He should have trade association experience." I said, "There I question whether I qualify, although the Associated Press is an association of publishers." So he said, "Well, I'm going to recommend that you be given a trial." I did get the job at the Wine Institute. They didn't call it research director at that time; later, during World War II, it got the title of research director.

In due course, I was offered the job as staff assistant to the secretary-manager, and accepted it at a salary of $200 per month.

I was there for about three months and never got paid because, as I found out later, I was on trial, and you didn't get paid until you'd proven your ability to handle the job. But fortunately I kept my job as night city editor of the AP, so I had income.

Teiser: When you went to the Wine Institute, who was there?

Gomberg: There were just two major staff people, plus eight or ten office assistants. There was Harry Caddow, who was called secretary-manager, and Leon Adams, who had no title but was assistant to Caddow, although in reality far more than that. There was a third person, too, who was very important at the Wine Institute, but he was legal counsel and not staff. His name was Jefferson E. Peyser; he just died recently.[1]

[phone interruption; tape off]

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[1] December 30, 1989.

Functions

Teiser: Your first work at the Wine Institute was--?

Gomberg: A little of everything. Example: I started the industry statistical surveys. I started the Wine Institute Bulletins to members. I started doing the preliminary work leading to the compiling of summaries of state laws and regulations, which eventually led to summaries for every state in the union. I handled members' inquiries on the telephone, and inquiries by letter on matters pertaining to the work that I was hired to do--statistics, economics, laws and regulations, written matter for the Bulletins to members, et cetera.

Teiser: I thought Leon started the Bulletins.

Gomberg: No, I started it. I still have the first edition here. Leon started sending what he called Wine Institute letters[1] to members, but the structured document called Wine Institute Bulletins to members I started in 1936.

Teiser: It's been a very useful--

Gomberg: Yes. I noticed they've just hired now a gentleman [Mark Stuertz] to be the new editor of the Wine Institute Bulletins.[2] That had always been the task of my research department, and then later the public relations department. Now it will be an independent editor.

Teiser: Did you have a little public relations work to do at first, too?

Gomberg: Well, my work was related to public relations, because the public relations department--Leon Adams was, of course, the original public relations director of the Wine Institute, and then he was succeeded by his assistant, Frank Whiteley, who came in in 1937.[3] I did a lot of work by way of assisting the public relations department, but the responsibility for getting out whatever press releases that were sent or any other activity of

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[1]Most were called "Confidential Bulletins."

[2]In 1990 the name was changed to Wine Institute News.

[3]He continued as assistant general manager and public relations director until his death in 1958.

that department was first Leon's job and then Frank Whiteley's, his PR assistant.

The California Wine Industry After Repeal

Teiser: Up to World War II, what were the main industry problems that you saw from within the Wine Institute?

Gomberg: There were many, many problems. The main problems could be reduced, I would say, to just one: how to make wine a major factor in the economics of our agricultural industries here in California. Because when I entered the industry in 1935, which was just about 20 months following the repeal of Prohibition, shipments of all wines into trade and consumer channels--that's how we determine consumption--were averaging only in those three years ('34, '35, '36) about 46 million gallons a year. That was less than one half the peak volume that was reached for wine during Prohibition, back in the early twenties. Based on the tonnage of grapes crushed for wine, U.S. wine use in those days approximated 100 million gallons a year. So the shipments in the first few years after Repeal were only about half of what those of us who were involved at the time felt should be our realizable market--around 100 millions gallons a year.

What we didn't realize at that time, but did later, was that the United States, which had never been much of a table wine-consuming country, still was not a table wine-consuming country after the Repeal of Prohibition. <u>But</u> a whole new market developed for what we now call dessert wines. Originally the government used the term "fortified" wines, so we made every effort to substitute the word "dessert" for "fortified," because "fortified" sounds like there was something abnormal added to the product to make it fortified. Well, technically that was true, because it has always consisted of ordinary, partially fermented table wine to which a small quantity of high-proof brandy was added in order to make it a dessert or fortified wine; but that practice has been going on for centuries in Portugal, Spain, and other countries, in the production of dessert-type wines.

That market swelled from very small volume at the time of Repeal to a peak of over 100 million gallons a year by 1955 and 1956. On the other hand, the table wine market remained almost nominal during those years--very small. It was realized by

those of us who studied the industry carefully that traditionally in this country the table wine market has consisted primarily of immigrants who brought over their wine enjoyment practices and way of life from Europe--mostly Italians, French, and Spanish, and a few other western Europeans. Of course, there was always a small table wine market for very wealthy people, but those wines were mostly imported, very few of California production.

However--and this is important to understand in order to realize the nature of the growth of the wine industry in California following the repeal of Prohibition--the major reason for the sharp increase in dessert wines was the fact that the tax on such wines was comparatively small compared to the tax on distilled spirits. As a result, the so-called "poor man's whiskey trade" (the Skid Row trade), grew from nothing to very substantial dimensions. A substantial amount of that dessert wine--probably as much as half--was consumed by the unfortunates who occupied the Skid Rows of the country and were consuming port, sherry, muscatel, white port, angelica, and tokays (those were the predominant varieties) as an escape from reality and life.

Teiser: What was the winemakers' attitude toward those wines? They didn't mind making them, did they?

Gomberg: They didn't seem to mind making them, and so they made them. Although those of us who viewed the industry in a responsible way felt that that was not the route to go, that we should somehow get table wines made the predominant class of wine available to the public in this country. It so happened that at the time dessert wines reached their peak in the mid fifties, that was the very time when table wines began to gain growth. As it developed, table wines grew and grew, eventually taking over the predominance in the marketplace from dessert wines in the late sixties.

Stabilization Plans

Teiser: Let's go back to the thirties. Besides the industry trying to rebuild its base, there were the financial troubles that affected everyone. Another thing was the prorate of '38, which I guess was an attempt to alleviate the financial troubles of this industry.

Gomberg: Yes. There were two major developments in 1938. One was the adoption of the grape prorate program, and the other was the approval of the marketing order for wine, both in 1938. The basic reason for these programs was to try to develop and maintain better balance between supply and demand so as not to allow grape prices to become unduly depressed, as they had been so often in the past. On the other hand, the main objective of the marketing order for wine was to develop new and larger markets for California wine. Right from the beginning, a budget of around a million dollars a year, out of a total budget of around $2 million, was allocated to promotional activities to develop such new markets.

Teiser: That was the Wine Advisory Board?

Gomberg: Yes.

The prorate lasted just one year, as I remember it.

Teiser: Did you get a close look at it?

Gomberg: Yes, I felt that I looked at it quite closely. My impression was that it was not likely to succeed for one primary reason, and that is that while it attempted to put restrictions on the marketing of grapes, it put no restrictions on new plantings. In my opinion, from early on we had to have some method of discouraging people from overplanting. That basically is what creates imbalance between grape supply and demand, all other things being equal.

As an example, in the twenties, at the time of Prohibition, would you believe that the acreage of California grapes almost doubled between 1920 and 1924, the first four years of Prohibition? Well, that sounds wild, because in Prohibition you would think people would be pulling up vines and not planting new ones. What happened was this: the government, in the exercise of its questionable wisdom, through act of Congress, permitted people under certain conditions to produce 200 gallons of fruit juice.[1] That was a cover-up method of referring to wine,[2] because obviously, if you make juice and you don't stop fermentation, it's going to transform into wine because of the

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[1]Under the Volstead Act.

[2]It included all fruit juices; cider, a traditional farm product, was a strong factor.

yeasts naturally present on the surface of the fruit and in the air.

Anyway, as a result, believe it or not, the production of table wine grew enormously between the start of Prohibition and for several years thereafter--just the opposite of what you'd expect. As it turned out, that demand was largely for homemade wine--a demand that began to diminish in '24,[1] so that the surplus of grapes became almost intolerable on account of all the plantings that occurred in the early twenties.

Teiser: It wasn't that the market for grapes had decreased, but that the plantings had increased?

Gomberg: Yes. The plantings had increased to the point where the production of grapes was about doubled by the late twenties--let's put it that way, because it takes four to six years for grapevines to mature. By the late twenties both acreage and tonnage were about double what they were in the early twenties, before all these new plantings occurred. As a result--and this isn't generally known, and it may not even be recorded in any of your data to date--there was a federal program adopted in 1930 to restrict shipments of grapes to market, to try to prevent this surplus from reaching the consuming public, and thereby strengthening the price of grapes. It was called the Federal Grape Control Board Program of 1930, as I recall. It was tried for one year, and then was abandoned because it didn't work very well; practical conditions prevented it from working.

You would think that in 1934, the first year following Repeal, grape prices would strengthen and the market would expand with the grapes, et cetera. It's true that 1934 was a relatively strong year for grape prices, and the demand did increase, but it took only one year for that demand to subside. In 1935 the demand went down considerably, and we had a severely depressed market for grapes that year. Nineteen thirty-six was a better year because it was a short crop, but that's been characteristic of the industry: short crop, prices rise; big crop, prices decline.

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[1]Statistics do not prove that diminished demand was the predominant factor. Shipments varied from year to year for various reasons. In 1927 they reached a peak higher than 1924. See "The Volstead Act, Rebirth & Boom," by Ruth Teiser and Catherine Harroun in The University of California Book of California Wine, University of California Press, 1984.

Teiser: The prorate of '38, then, theoretically encouraged people to grow more grapes so that they could turn them into brandy and get some money back. Or is that an oversimplification?

Gomberg: The prorate program said, "If you, Mr. Grower, can't find a home for your grapes at a decent price, have them converted either into high-proof or beverage brandy, and set it aside and we'll eventually find a buyer for that product." That was done in '38.

Teiser: They were paid for that?

Gomberg: Not right away, no. They had to wait until the brandy was disposed of.[1] I'm talking about the surplus, now. If I remember correctly, there were about 350,000 tons of surplus grapes that were converted under the prorate program.

Teiser: I know that some of them sold their brandy because they didn't want to be taxed.

Gomberg: The reason they were able to sell the brandy--I was there at the time and very much aware--was World War II. The war created an artificially high demand for spirits because of wartime restrictions, and so there was a shortage of spirits, relatively speaking. Thus demand for this brandy all of a sudden was created, and that's when growers got most of their money for the grapes that had gone into that brandy years earlier. That was in the early forties.

There was a lawsuit involving the prorate, because growers in the North Coast counties--eleven of them, I think--said, in effect, "We have no surplus. The surplus is in the Central Valley." And they prevailed. They went to court and got exempted from the prorate. Even now the law is so worded that if there are constraints on excess tonnages of grapes, these eleven counties are excluded.

Teiser: There was later, in 1961, a set-aside program, wasn't there?

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[1]When the brandy or high-proof met the required standard, the owner was given a certificate which he could borrow against at the Bank of America, which participated in the program. See Maynard A. Amerine, The University of California and the State's Wine Industry, an oral history interview conducted 1969 and 1971, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1971.

Gomberg: Yes. But even before the 1961 program there were two other programs adopted by the industry in attempts to stabilize the markets for both winery grapes and wine. The first of these two programs was called the Marketing Order for Grape Stabilization.[1] Its method was to raise a stabilization fund by wineries to be collected in seasons when grape prices were reasonably healthy, and then to be paid back to growers when prices declined seriously. Some $3.5 million were raised under this plan, as I recall, but the program was abandoned after less than a year when the industry decided it just couldn't, and wouldn't, work. The $3.5 million were refunded to the wineries, pro rata.

The second program was called the Marketing Order for Wine Processors.[2] Under this program, wineries were placed on shipment quotas so as to prevent overloading the market. This program, too, was dropped because it wasn't working.

Several other programs also were given consideration during the 1950s and 60s, only to be abandoned for lack of industry support. Even the marketing order for wine, the first of its breed to be adopted by the California wine industry back in 1938, finally came to an end in 1975 when the industry decided the time had come to call it quits after thirty-seven years, for various political reasons both within and outside the industry.

But to get back to your question regarding a set-aside program in 1961, the answer is: yes, there was such a program, adopted that year, called the marketing order for Central California grapes for crushing. Under that program--which lasted just two seasons--about 475,000 tons of grapes were diverted from normal channels in 1961 and 1962 and converted into dessert wine, brandy, and grape concentrate, completely removed from conventional markets for these products. Most of these products, it is understood, ended up as industrial alcohol after further processing outside the wine industry.

Although the set-aside marketing order was to be a three-year program, subject to possible renewal for another three years thereafter, the industry decided to terminate the entire project after only two years, and so this program, too, fell by

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[1]Effective September 16, 1949-December 31, 1950. See also pages 63-64.

[2]It was in effect from June 29, 1949, to June 30, 1952.

the wayside after a short trial period, just as had the two earlier programs back in the 1950s.

Teiser: This is an aside: Now when consumption drops a small percentage, everybody howls as if the whole industry were going down the tubes. It's as if they forget that anything bad ever happened in the past.

Gomberg: We call it consumption; we don't actually know how much consumption was, because the only measures we have are shipments into trade channels as determined by tax payments (tax-paid withdrawals). There have been occasional years, yes, when there would be a drop from the preceding year, but by and large, increases have occurred quite regularly until the last four or five years--that's between the mid eighties and now.

<u>World War II: Bulk to Bottled Wine</u>##

Teiser: You struggled through the thirties, and then, suddenly, war.

Gomberg: Yes. Of course, the United States did not get into the war until 1941, as you know, when the bombing of Pearl Harbor occurred. Prior to that, the market was becoming more firm because European supply sources were drying up--being damaged or destroyed by reason of the war in Europe. So the market began to tighten up in the late 1930s. Then, because of Pearl Harbor, early in '42 restrictions were placed on pricing. The wartime agency, Office of Price Administration (OPA), placed price ceilings on wine and brandy, but not on grapes, as a result of which the demand for grapes reached exceedingly high levels and grape prices rose sharply there in the early-to-mid forties, despite the fact that ceilings were imposed on wine and brandy right from the beginning.

You might ask, "How could the wineries pay these astronomical grape prices and still observe the wine price ceilings?" Here is the explanation. What happened was this: the wine industry, prior to Pearl Harbor, had been primarily a bulk wine industry, shipping wine mostly in tank cars and tank trucks to about 1,500 wine bottlers all over the United States. The Office of Price Administration, in early '42, put ceilings on both bulk wines and bottled wines. The bulk wine ceilings could hardly be tolerated, however, because of the slim profit margins on such wine. Bottled wine ceilings, on the other hand,

reflected prices and returned to wineries anywhere from two to five times as much as had they sold the same wine in bulk.[1]

The result was that, with the onset of the war and OPA regulations, the bulk wine market for all practical purposes disappeared, because bulk wine price ceilings were so low they did not permit paying anything like the prices for grapes that prevailed in the war years following Pearl Harbor.

Teiser: Let me ask you to define what you include in bulk wine.

Gomberg: Bulk wine was and is wine shipped in railroad tank cars, tank trucks, and barrels. Bottled wine, of course, was wine shipped in bottles and jugs, after packaging in wineries and wine bottling establishments.

Teiser: Here in San Francisco, for example, we used to go with our jugs to a store on Pacific Avenue and get wine out of their barrels. Was that bulk wine?

Gomberg: Yes, but that was only a tiny part of the bulk wine business, and lasted only for a short time following Repeal. As a result of OPA regulations, the bulk wine business for practical purposes all but disappeared during World War II, and has never come back, except in a very small way. Prior to World War II, my best recollection is that bulk wine represented approximately 80 percent of all the California wine shipped to market. Since the war, and up to the present, bulk wine shipments from California wineries have dwindled to only a small fraction of total shipments, possibly less than 5 percent.

Teiser: Was that because the market used to be more in the East, and it was cheaper to ship that way--in bulk, that is?

Gomberg: Not exactly. I would say that's simply the way the wine market developed immediately following Repeal when brands of local bottlers predominated. That was true of both table wine and dessert wine. Then the war changed all that because of OPA regulations. Ever since then, bulk shipments have steadily declined to the present low level of about 5 percent, possibly less.

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[1]See also pp. 12-13, Robert Mondavi, Creativity in the California Wine Industry, an oral history interview conducted 1984, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1985.

Teiser: The wines didn't spoil so easily when shipped in bottles?

Gomberg: Yes. That was another reason for the drop in bulk table wine shipments. What little there was shipped in tank cars, tank trucks, and barrels, the tendency still was for the wine not infrequently to spoil by the time it got bottled and ready to be sold. So that was another factor leading to the marked decline in bulk table wine shipments.

By the end of World War II, bottled wine was already completely predominant. One of the few ways bulk wine was shipped during the war was where the winery out here making the wine was acquired by a bottler somewhere. Like Gibson Wine Company of Cincinnati acquired a producing facility here in California, made for itself, and then shipped the bulk wine to its bottling facility in Ohio. In some instances the California winery shipped to its own branch bottling facilities in the East, Middle West, or South, and bottled the wine under its own brand labels at such locations.

Teiser: What winery did Gibson acquire, do you remember?

Gomberg: I think they bought Colonial Grape Products in Elk Grove. It's been called Gibson Wine Company ever since, even after being acquired by a California cooperative winery some years ago.[1]

As far as bulk table wine is concerned, it never reached very large proportions even before World War II. After World War II, what little remained of that market was, for all practical purposes, no longer viable.

During the war, at least 80 percent was shipped either in bottles or in bulk from the producing facility here to the bottler's premises in the East, Middle West, or South, where the winery had a contract with the bottler to bottle the wine under the winery's or bottler's own label in order to take advantage of the higher ceiling prices. This arrangement made it possible for many bottlers to survive--temporarily.

Teiser: Let me go back to the rise in price of grapes: was that partly occasioned by the fact that quantities of them were turned into raisins for the troops?

Gomberg: Yes. During World War II, not only were the wine price ceiling regulations highly in favor of bottled versus bulk, but also the

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[1]The Sanger Winery Association.

diversion of raisin variety grapes from winery use to raisins for feeding the army further shortened the supply of raw material to make the dessert wines, which were the predominant wines in those years.[1]

Another factor that restricted shipments of bulk wine during World War II was the diversion of tank cars and tank trucks to the war effort, the result of which was that all shipments of wine in bulk from California markets nationally declined markedly.

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[1]For an additional discussion of the transition from bulk to bottled wine, see pages 42-46, 48-50.

POST-WORLD WAR II CHANGES

The Decline of Dessert Wines

Gomberg: I would say the primary impact that I recall on the wine industry--after the war was over and price ceilings were removed--was the realization that the markets for dessert wines (chiefly port, sherry, muscatel, white port, angelica, and tokay) had pretty much reached saturation when volume flattened out in the late 1940s, continued flat into the 1950s, and remained flat throughout the 1960s after reaching a peak in 1961 at just under 110 million gallons (including vermouths and special naturals over 14 percent). Beginning in 1969, the market for these wines began to decline almost every year, and by the late 1980s had dropped to about 50 percent below the 1961 peak.

The main reason for this drop in shipments, in my opinion, was that by the mid-1950s the economic benefits of European travel by what President Johnson called "the affluent society"--people going to Europe and coming back bringing with them the enjoyment of wine with meals--began to manifest themselves in several ways. Table wines were the major beneficiaries, starting to rise in the mid-1950s and continuing to climb almost without interruption until peaking at about 400 million gallons in 1983-1984. The ten-year immediate post-war average was only about 35 million a year, less than 10 percent of the post-war high.

As the table wine volume boomed, the dessert wine market started its downhill slide, but not because consumers switched from dessert wine to table wine. What happened was that the affluent society also made it possible for many of the Skid Row habitues to switch from dessert wines to distilled spirits because they could afford ardent spirits then for the first

time, thanks to bigger handouts by caring passersby. So we see that the affluent society had two benefits: it greatly increased the number of people who could afford to enjoy table wine with meals, and helped immeasurably to cause the number of unfortunates to switch from dessert wine to distilled spirits.

Teiser: When the war was over, did the industry have to readjust very much, or did it just coast into the post-war period?

Gomberg: It pretty much coasted, although imbalance of supply and demand continue to prevail in most of the years following World War II.

Teiser: It seems to me I heard that just after the Second World War, because some distillers had forced retailers to take wine in order to get spirits--I think it was an illegal practice--there was some surplus of wines in the retail market.

Gomberg: That is correct, but only one or two distillers resorted to such practice.[1]

Teiser: Did that affect the whole industry?

Gomberg: Yes.

Changes in Winery Ownership

Gomberg: And also, at the same time, some of the distillers started dumping their winery holdings. Remember, during World War II there were four major distilleries that had important holdings in the wine industry: Schenley, Seagram, National Distillers, and Hiram Walker. In the aggregate, as I remember, a study was made by the federal government of holdings in our industry by non-wine industry interests, and at their peak they represented about 40 percent of the total wine production in California--all owned by distillers. But following World War II, one by one by one by one they started getting out.

The first big one was National Distillers. They owned Italian Swiss Colony, Shewan-Jones, and several other brands.

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[1]Leon D. Adams's recollection is that so-called "tie-in sales" were generally prevalent in the market, involving distributors and others who handled liquors, as well as distillers.

They got rid of their winery holdings in 1953, when they were bought by the Petri family--the Petri Wine Company. Schenley didn't dispose of their major wine holdings until about 1970, when they sold to the Guild Wineries and Distilleries Co-op.[1] Seagram didn't get rid of their major holdings until about five years ago. They kept a couple of small California winery operations: Sterling Vineyards[2] and Monterey Vineyards. But the rest of their holdings--Paul Masson, Taylor California Cellars, and several others they had bought--they disposed of to what is now called Vintners International.

Much the same thing happened with Heublein, although Heublein didn't come into the picture until the late sixties. I was the intermediary in that transaction. They bought United Vintners from Allied Grape Growers, which had acquired the wineries from the Petri interests back in the 1950s. Heublein held on to most of the United Vintners' brands--these were Italian Swiss Colony, Petri, Shewan-Jones, Gambarelli & Davitto, and a few others--until about four or five years ago. But in the meantime, they acquired one more brand, Almaden, for many post-war years owned by National Distillers. Heublein had previously been bought by R. J. Reynolds, the tobacco people [in 1982][3]

Reynolds sold all of their wine holdings and all of their distilled spirits holdings they had acquired from Heublein to Grand Metropolitan PLC Ltd. of London, so Grand Metropolitan is now the number two operator of winery properties in California, in size.

Market Fluctuations of 1946 and 1947

Teiser: I was reading an article that you had written, "The Possibility of Wine Cycles," in the September, 1972, issue of Wines & Vines. You noted the break in the market in 1947.

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[1]Schenley had started selling its California holdings in 1950.

[2]Seagram bought Sterling in 1983.

[3]See also "Louis Petri Conceived Allied Grape Growers and United Vintners," by Ruth Teiser, Wines & Vines, August 1983.

Gomberg: Nineteen forty-seven was a terribly depressed year both for grapes and wine in California. Prices and demand dropped way down from their peak levels in 1946. The reason why it took a year for that to happen was that when the war ended in '45, vintage prices that season rose appreciably because of the shortages that had occurred during World War II. They reached a peak in '46, to fill the pipelines, so to speak. The pipelines were all filled by mid '47, so when the '47 crop matured, few wanted them--and so the price dropped way down.

Teiser: Somebody ordered his company to buy all the grapes they could get. I remember hearing stories about a guy with a truckload of grapes, and somebody flagging him down and saying, "Bring it to our winery."

Gomberg: That must have been in '46, the year of shortage. Because in '47, few wineries wanted to buy grapes. There was an acute scarcity of grapes in '46, but it was an artificial scarcity. It wasn't based on normal demand; it was based on the fact that during the war, because of limited production, everybody's inventories were shorted artificially by reason of wartime restrictions.

MARKETING ORDERS

The Wine Advisory Board, 1938-1975

Teiser: Let's go back to the Wine Advisory Board and the marketing order for wine.

Gomberg: It was founded in 1938.

Teiser: What did it do?

Gomberg: Well, let's put it this way: it was established originally to provide funds for broadening the consumer base for wine in this country. That was the major reason. For seventeen years the J. Walter Thompson advertising agency was hired to do the advertising to try and expand the consumer base. In my opinion, the marketing order for wine accomplished little in broadening the consumer base, for a variety of reasons. It's no use going into the details, but as an example of what I mean, the main theme of the advertising, as I recall it, was illustrated by a typical ad showing a beautiful table setting--a beautiful crystal chandelier, lovely glasses and sterling silver, and so on--and maybe a couple of bottles of wine on the table. The image theme of the ads, as I remember them, could be put in this context: "Mrs. Gotrock serves wine. Why don't you?" In my opinion it sold no one--no table wine.

The big increase in table wine, which occurred after the mid fifties, I attribute to the affluent society, which had nothing to do with the ads under the marketing order for wine.

But there were several good things about the Wine Advisory Board that were abandoned when it was discontinued in 1975. The major program of the Wine Advisory Board, in my judgment, was not to produce money to advertise California wine; the major

purpose of the Wine Advisory Board from its inception was to provide funds for lobbying. They didn't call it lobbying, and they never have called it lobbying. The term that they used and have used all through the years is "trade barrier" work. That work was, in my judgment, the real major value of the Wine Advisory Board, early on.

Teiser: Did it work?

Gomberg: Yes, it provided funds for that purpose. That's correct. It provided funds that otherwise would have had to be raised by dues of Wine Institute members.

Teiser: Was it effective?

Gomberg: Yes, but in my opinion it wasn't remarkably effective, only reasonably so.

Another program that the Wine Advisory Board had was called the dealer service program, in which field personnel--around forty-five or fifty, as I remember it--were sent around the country to talk to wholesalers and key retailers, and persuade them to handle California wine or sell it in greater quantities. That program, unfortunately, was terminated in the 1950s. It might be embarrassing, I think, to certain people if I were to go into details of why it was terminated. It was just terminated, and that was the end of that program.

The advertising program was abandoned in the late fifties, because it was finally realized, after twenty years--from '38 to '57, I think it was--that it was not producing any real results for the industry.

Teiser: There were a lot of folders about wine with fish and wine with cheese and wine with meat.

Gomberg: Yes, Wine Advisory Board did turn out quite a few of those folders. There were also little booklets and pamphlets. But, again, as I say, those booklets and pamphlets were directed primarily, just like the ads were, toward persons already using table wine or likely to become users of table wine--what I call the semi-elitist trade. They were never broadly disseminated to the great masses of the population.

Teiser: You were talking about lobbying being called "trade barriers." I'm constantly impressed by the fact that when the wine industry

talks about "education" of the consumer, what they mean is promotion. They don't really mean education.

Gomberg: Yes--it's not really education, although loosely speaking it is referred to as education--loosely, that is. But promotion is correct.

Teiser: The marketing order that created the Wine Advisory Board was voted in by the industry, was it not?

Gomberg: Yes.

Teiser: Was it a difficult fight, do you remember, to get it in?

Gomberg: Not the first time, but it came up for renewal every three years, and, yes, there were some three-year periods when it was difficult to win renewal.

Teiser: Was there a gap?

Gomberg: Yes, there was a gap. I'm trying to remember what year it was--1954, as I recall. But it did not have fatal results. It did terminate for a short time the flow of funds, both into the marketing order and out of the marketing order into the various channels under which contracts had been made.

After the abandonment of the marketing order for wine in 1975, there was no program until the early eighties.

<u>The Winegrowers of California, 1984-1987</u>##

Gomberg: It was 1984, if memory serves me correctly, that the marketing order for the Winegrowers of California was adopted by a combination of wineries and growers--a combined program for both growers and wineries. That lasted only three years, I think it was, and was terminated because the wineries felt that the growers were attempting to assert themselves excessively in matters of policy questions and so on.

Teiser: What were the main considerations?

Gomberg: The growers simply felt, "We're contributing money to this program, so we should have something to say about it." The dominant winery representatives felt that the growers were

exceeding their rights, so to speak, and attempting to exert too much influence on the decisions of the advisory board. And so, after three years, the entire program was terminated;

Teiser: Would it have been a good idea to continue it?

Gomberg: I think it would have, because what we have now, since then, is a California Wine Commission with no growers on it, adopted by law; it's an amendment to the State Food and Agricultural Code, which creates the California Wine Commission. The correlative of that, the California Wine Grape Commission, failed to be adopted. The wine grape growers hoped that, if they couldn't work together with the wineries, they could work separately. But their program was not voted, and consequently there has been no wine grape grower program comparable to the Wine Commission program.

Now, to get into the reasons why the grape program failed to be adopted involves once again delicate political and economic matters. Suffice it to say, for the purpose of this analysis, growers were reluctant to vote themselves a program if there was any uncertainty about finding a market for their grapes, and there was uncertainty. So instead of voting a program, the majority voted not to have a program.

Teiser: How could growers have a guaranteed market for their grapes, any more than the winemakers would have a guaranteed market for their wines?

Gomberg: It wasn't a guaranteed market; it was a case of growers feeling that if they voted a program, the chances of finding a buyer for their grapes would be reduced to low level, or possibly zero. They were fearful of that; so they, in effect, said, "Well, we'd better not approve this program, because we don't want to jeopardize the market for our grapes." In my opinion that's why the grower program was not adopted.

Teiser: I wonder how, in New York, they got a program that includes both growers and wineries?

Gomberg: My impression is that most of the grapes used for winemaking in New York are grown by the wineries themselves, and not by independent growers. That would probably explain why it was possible to combine the two.

Teiser: That's another thing that's kind of interesting: I think the public impression is that every bottle of any wine that has a

well-known label comes right out of that winery's own vineyard, when, of course, that's not the case. Of bottled, labeled wines, how much do you think comes from winemakers' own vineyards?

Gomberg: It depends upon the category of wine you're talking about. If you're talking about ultra-premium wines, which are at the top of the quality list, chances are that virtually all of the grapes are grown by the winery. If you're talking about super-premium wines, then a small percentage is purchased, compared to the quantity grown by the winery itself, but it's still predominantly a winery-grown grape product. Then, if you're talking about traditional or conventional levels of premium wines, there I would say the quantity of grapes purchased by the winery would at least equal the quantity grown by the winery itself. And then if you come to popular-priced wines and economy-priced wines, virtually none of the grapes, or at most a very small tonnage, are grown by the winery; they're largely purchased. Does that give you a picture?

Teiser: Yes.

WORKING TOWARD A MASS MARKET FOR WINE

The Problem of Reaching Consumers

Teiser: The growth now is in the higher-priced wines; wouldn't it be to the benefit of everybody if lower-priced wines also had larger markets?

Gomberg: Bear in mind that during none of the years of the marketing order for wine--from 1938 to 1957, when they had the advertising program, nor even up to the year 1975, when the order was terminated--was any genuine, effective effort made to reach the mass market in this country. It's important to remember that at the peak of the growth of dessert wines and the beginning of the growth of table wines, in the mid fifties, Elmo Roper did a demographic study. The important thing to me, that typifies the realistic answer to your question, is this: during the course of asking five thousand people four hundred questions (if memory serves me correctly, that's what it involved), one of the questions asked was, "Do you think of wine as a drink for Americans?" The responses were almost zero: "No, we don't." The next question was, "If you don't think of it as a drink for Americans, what do you think wine is a drink for in this country?" The three predominant answers were: "Wine is for rich people," "Wine is for foreigners," and "Wine is for bums." That was in 1955, the peak of the fortified wine market and the beginning of the table wine market boom. It tells us that the program started in 1938 had accomplished virtually nothing in creating a mass market for wine in this country.

Incidentally, this may or may not be relevant to the interview today, but I have personally come up with a concept that I think will eventually create a mass market for wine in this country. You might wonder what this concept is. I'll tell

you what it is in brief. It's all trademarked, so there's nothing to worry about--plagiarism. I've decided that we've never effectively reached the hundred million adult Americans who never, never, never consume wine. What would we do to reach them? In my opinion, we've got to go to them with a program that wipes out all the ideas they've ever had about wine in the past. What are they?

Number one: it is not of foreign origin; it is an American product, not a product of France, Italy, Germany, or wherever. It's U.S. You might well ask, "Well, doesn't the word 'Taylor Brand' tell them it's an American product?" Yes, it does, in part, but it doesn't go far enough, in my opinion. Okay, my brand that I'm attempting to get adopted by the industry, or someone in the industry, is U.S.A. Brand. Then there's no question of where it originated.

The next question is, "What about the appellation of origin?" Because most wines show where they came from. Okay, normally, if it's California, we call it California burgundy. If it's a product of New York state, we call it New York state chablis, or whatever. If it's a product of several states, we call it American. My plan is to give it an even broader name: U.S.A. Brand All-American, conveying the idea that it's not only American, it's of good quality; because an all-American is a high quality performer.

My third evaluation concept is that we've got to make the product very simple to describe. Like when you want to buy some salt, it says, "Leslie Salt," if you want to buy Hills Brothers coffee, it says, "Hills Brothers Coffee," et cetera, et cetera. Almost all the major products have the generic term on them. You find very few wine bottles with the word "wine" on them in large letters. My three wines are red wine, white wine, and blue wine. I realize that the word blue is something that's never been considered by the industry. Well, I think the time has come to do so. You can get a blue wine by giving a white wine a little color--bluish food color--so that the consumer can say, "I want that U.S.A. Brand Blue Wine. That's what I want for dinner tonight."

[phone rings; tape off]

This concept of U.S.A. Brand, All-American Red, White, and Blue wines is for the purpose of reaching out to the hundred million Americans, not with a burgundy, not with a sauterne, not with a chianti--not with a traditional European wine, but a

whole new line of wines made expressly to fit the average American palates: low in alcohol, low in acid, pleasantly sweet (derived from the grapes; not added sugar), a good balance, and produced in little bottles--like they can nibble away at something while they're watching television and enjoy sipping the contents of this twelve ounce bottle of wine. We don't have that in this country. A little bit in that direction was done by the wine coolers, but it's never been done by port, sherry, muscatel; never been done by burgundy, chablis, and sauterne. It's a whole new concept.

Teiser: I keep thinking that there's the great Midwest, where people don't customarily drink wine, that somehow hasn't been penetrated. I was in Italy being shown a winery, along with an American pizza chain executive from the Midwest. The winery representative, a woman, said to him, "We hope you'll put our wine into your pizza restaurants." He said, "Well, it would be nice to have some, but, really, we couldn't have much, because our restaurants are family restaurants; we have children and families."

She said, "What? You don't want wine in a family restaurant!" She absolutely couldn't understand why you wouldn't have wine available to the whole family, children and grandmothers alike.

Gomberg: The problem with wine and its extensive use throughout America is that we don't teach children what I call the "womb-to-tomb" syndrome, which teaches them from infancy on to understand, to appreciate, to respect, to use wine--if they choose to use it--in a civilized manner. We don't teach them that. We teach the "forbidden fruit" syndrome. "Forbidden fruit" means prohibited, prohibited, prohibited until you're twenty-one, and then you can drink, which is senseless, when you stop to analyze it. That's our system in this country.

Teiser: Until you're eighteen in some places?

Gomberg: No, they changed that in all except two or three states, because the government passed a law three years ago saying, "No money for highways unless your minimum age for drinking wines, beer, or spirits is twenty-one."

Louis R. Gomberg, 1950s.

SINCE 1948

Becoming a Wine Industry Consultant

Teiser: After you left the Wine Institute, which was in 1948, did you go directly into your own business as a consultant?

Gomberg: Yes, within three months, I think. I waited about three months, and then opened my own office as a consultant, because I asked myself the question, "Where could I best serve the industry?" The answer was as a consultant, doing much the same kind of thing I was doing at the Wine Institute, except on my own.

Teiser: I gather that as a consultant you did a lot of services that the Wine Institute couldn't do for just any member.

Gomberg: To some extent, yes, but most of my work was an extension of what I had been doing at the Wine Institute. You see, I was not replaced at the Wine Institute. I was involved with almost all of the different departments. One of them that I didn't mention earlier was the technology department. I established the Technical Advisory Committee of the Wine Institute. These were specialists in the technology of winemaking. That was eventually discontinued.[1]

Most of my work had to do with government regulations, financing, production and marketing problems, administration and internal management matters. These were all things that I had been doing at the Institute, but now I was doing it on a consultant-client basis.

Teiser: As a consultant, have you given advice on hiring practices?

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[1]A smaller Technical Committee continues.

Gomberg: Let's put it in this context: I have never gotten directly involved with who to hire and who not to hire. I have gotten involved with, "What do I do when I need somebody in my cellar?"--let's say a cellar foreman. There's a simple way to go: you run an item in the Wine Institute bulletin under "trade items," as they call it. That's one way to go. Another way to go is to run an ad in one of the trade journals in the wine industry, like Wines & Vines, and so on. That's the kind of advice I'd give.

Working for Louis Petri, 1950-1952

Teiser: Then for a couple of years you worked with Louis Petri.

Gomberg: Yes, I did. Louis asked me, after I opened my office in 1948, if I would be willing to become his executive assistant in 1950, shortly after the Korean War broke out. I found out later that the reason he wanted me to do that was because he was afraid that the Korean War might end in a third world war, and he needed somebody on the staff with world war capabilities and experience, which I had had in World War II. So, reluctantly, I agreed to do that.

I managed to keep most of my clients aware of what I was doing, and occasionally they would call me, but I was not available day after day, as I had been. I was reporting in directly to the Petri Wine Company. That lasted about two years, beginning in late 1950. In 1952, Lou and I both agreed that since Korea did not develop into another world war, he didn't need anybody like myself on his staff, and so I reopened my own office as a consultant.

Economy and Intermediate-Priced Wines

[Interview 2: January 19, 1990]##

Teiser: Would your U.S.A. label apply to what we now call jug wines?

Gomberg: The answer must be yes and no, and here's why. Yes, in the sense that they would be economy or moderate-priced products, but no, in the sense that they would not be related to the so-

called premium segment of the industry, as the so-called jug wines are. I prefer not to call wines "jug" wines, because I think it's detrimental to their identity.

Teiser: Whatever they're termed, they are still not premium wines.

[phone rings; tape off]

Gomberg: There are no absolutes in the measurement of wine quality, as you well know, and that's another reason that I tend to resent the term "jug," because by clear inference it suggests inferior quality. Actually, the wines that you asked me about--my concept of U.S.A. Brand all-American Red, White, and Blue wines--is not involved with this comparison of quality. There are very close correlations, in my judgment, between the quality, generally speaking, of so-called jug wines and the great preponderance of the so-called premium wines, largely because, over the years, for all practical purposes, the only so-called jug wines that are sold in great volume today are produced by Gallo. Gallo has been the leader in quality improvement development to such an extent that I think it would be fair and safe to say that the great preponderance of Gallo's so-called jug wines, like Hearty Burgundy and Pink Chablis and others, are on a very close quality level with the great preponderance of the so-called premium wines selling at the low end of the premium scale.

Teiser: How about the other Central Valley wines, though? What do you call them if you don't call them jug wines?

Gomberg: Two categories: if they're very low priced, I call them economy-priced wines; if they're intermediate-priced wines, I call them popular-priced wines, and not jugs.

Teiser: Aren't there other wineries, like Guild, that contribute considerably to the--

Gomberg: For all practical purposes, there are very, very few wineries other than Gallo producing bottled so-called jug wines. All of the major brands, at one time or another since the repeal of Prohibition, to the best of my knowledge at this time, have to a large degree or entirely disappeared from the market. Some of the great name brands in the so-called jug wine category were Roma, which was the number one brand for the first ten years I was in the industry; number two, Italian Swiss Colony, which for a long time was a very large-selling popular-priced wine; Petri, another large-selling, popular-priced wine. Then, among the

lesser levels of volume were FI (that stood for Fruit Industries). There was Guild bottled wines, that came into being during World War II, because prior to World War II they were only in the bulk wine business. There were other miscellaneous brands, like Cribari, Bisceglia, and several others. All of these brands, for all practical purposes, have largely disappeared from the market, and the only major brand that's left now in the so-called popular-priced category is Gallo. And the only brand that is left in the economy-priced category is Carlo Rossi, which is also a Gallo-owned brand.

Teiser: Where does the juice go from all of those Central Valley grapes these days?

Gomberg: Let's put it in this context: the juice from the Central Valley grapes goes into a wide variety of products, starting with, of course, the Gallo and Carlo Rossi brands which, combined, represent very close to 50 percent of all of the production of the Central Valley. The remaining 50 percent goes into brandy, high-proof brandy, bulk wine shipped to out-of-state bottlers--but mostly now to one winery that used to be just a bottler. In the ranking of winery sizes today, I would say it's probably number two in the nation. It's located in upstate New York, and it's called Canandaigua Wine Company. When you add up all of the brandy, the high-proof brandy, the grape concentrate, the juice now to some substantial degree going into food products as an inexpensive fruit juice, and the bulk wines shipped to wineries and bottlers in other states--in the aggregate, all that gallonage is probably not more than 50 percent, and maybe less than 50 percent of the grapes you're talking about originating in the Central Valley.

Now, I haven't mentioned several California brands that have to be taken into consideration because their volume is fairly substantial, but not anywhere near that of Gallo. I'm talking about the Central Valley branch of Robert Mondavi Winery, located in Woodbridge. I'm talking about the Central Valley branch, so to speak, of Almaden--in fact, it's no longer a branch; it's the main winery now, because they've terminated their operations along the coast where they had several wineries. You also must recognize that a substantial proportion of so-called second brands of premium wineries originate in vineyards in the Central Valley. Los Hermanos of Beringer is one example. C. K. Mondavi is another. There was a brand that the Geyser Peak Winery developed that has since been sold to a Central Valley winery. That brand--I believe the name was

Summit--was produced, to the best of my knowledge, from grapes either largely or entirely grown in the Central Valley.

So we have an entirely different picture, now, of what happens to Central Valley grapes in the wine industry than we had, say, twenty-five or thirty years ago. Entirely different.

Teiser: A winery like the one at Manteca that bought that big vineyard at the south end of Monterey Vineyards--

Gomberg: Yes. Delicato.

Teiser: They have a brand, but they also sell in bulk, do they not?

Gomberg: Yes. The brand is relatively new. Until recently, Delicato, to the best of my knowledge, was a contract producer for others of wines produced either entirely or largely from grapes grown in the Central Valley. There are others in that category. The so-called J.F.J. Bronco winery is another large contract producer of wines produced largely or entirely from grapes grown in the Central Valley. And there's a third giant in that same basic category of contract producers, and that's The Wine Group, consisting of three brands that at one time were the mainstay of the business, but then it's gone through several different ownership changes since then. Those three brands were Franzia, Mogen David, and Tribuno Vermouth. That's The Wine Group.[1] They also market 20/20 brand and Summit brand wines, plus of course large volumes of bottled wine under others' brand labels.

Teiser: The Tribuno label has certainly traveled around, as have others.

Gomberg: That's correct, yes. Speaking of which reminds me that there have been so many changes of ownership in the wine industry, especially in the past ten years, that it would take an expert many hours just to trace the changes that have occurred with respect to individual brands, for example, or companies. Or changes, let's say, from high level priced wines and quality premium operations, to something at lower price levels and therefore quality below the so-called premium level. I can't recall any winery that has shifted entirely, or even largely, from the premium to the popular-priced sector, or from the premium sector to the economy-priced sector--except, of course, Inglenook brand, which uses "Navalle" as its secondary designation for its lower-priced line.

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[1]See also page 37.

Teiser: But Almaden, which had some premium and some popular priced, is now--

Gomberg: Almaden never really had a popular-priced line under that brand name. They had only one major brand, called Almaden, and then they had, let's say, sales stimulating individual wine types at lower prices, under the Almaden brand, the main one being Grenache Rosé. That's the one that really started the ball rolling for Almaden in the premium sector. They were a tiny operation until Grenache Rosé came along, and then they grew from a few hundred thousand cases a year to millions of cases, all still in the premium-image category (but often selling at below-premium prices). The only thing that came close to what we call a straight popular-priced product line was Le Domaine, which was their second level brand of sparkling wine. In that respect, Le Domaine was like Los Hermanos is to Beringer: it was the second label and lower priced.

But don't get the impression that having, let's say, a premium reputation and a second brand which comes close to being popular-priced is uncommon; it's quite common in the industry. In addition to the wineries I've mentioned, Fetzer has the same thing with Bel Arbors label; that's a secondary. There are several others in the so-called premium segment of the industry that have secondary labels that are lower priced; in fact, often priced as low as the higher priced popular-priced wines. The outstanding example of that being Inglenook, because, you see, Inglenook has two levels of quality and price. One is the pure, unadulterated label called Inglenook, usually followed by the appellation of origin, Napa Valley, and then a varietal name. The other segment of the Inglenook line is called Inglenook Navalle--the word "Navalle" really a sub-designation underneath the primary brand name Inglenook. Navalle means that some of it came from Napa Valley, but most of it came from other parts of the state--chiefly the Central Valley. That, to a large degree, is how they were able to build their sales volume. When United Vintners bought Inglenook back in the mid sixties, the volume was about 25,000 cases a year. Ten years after Heublein bought United Vintners, including Inglenook, they built the Inglenook label up to a peak level of about eight million cases a year, based largely on that secondary designation, Navalle.

Recent Major Ownership Changes

Teiser: Paul Masson has gone through plenty of changes, too, hasn't it?

Gomberg: Yes, it has. Paul Masson, as you know, started out as a very small, super-premium winery, back in the 1800s. I believe it was 1852, the year they were established. At any rate, when Repeal came, after having closed, like practically all the other wineries did during Prohibition, except for a small quantity of medicinal sparkling wine, Masson was purchased in 1936 by Martin Ray, directly from Masson himself.

Martin Ray revived the label following Prohibition and built it up to maybe ten or fifteen thousand cases a year. That was standard volume for a small premium winery in those days. Interestingly enough, that was the size of the Martin Ray operation based upon his insistence that: one, the wine be priced at or near the top of all the premium brands sold by California wineries; two, that his Paul Masson wines be displayed at retail only next to the top French brands of corresponding types. That would help to explain and defend his high prices compared with other California premium wines.

Even despite his apparently successful effort to build volume, it was still nominal when World War II came, and who should buy it but Seagram, as you know. Well, it isn't quite the case that Seagram bought it initially; they bought it later on in a deal with the two gentlemen whose names became well established as the marketers of Paul Masson wine, Fromm & Sichel (who were also the marketers of Christian Brothers wines for many years).[1]

There came a time in the mid 1960s, as I recall, when Paul Masson, thanks in large part to the funding made possible by Seagram, became a million-case operation, having grown from its tiny, few-thousand-case size under Martin Ray. By the early 1970s, sales had risen to over two million cases. That operation, I thought, was a profitable one that Seagram would preserve, because they're a super giant, as you may know, in the distilled spirits field. They're number one, having long since

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[1]For the relationship of Paul Masson winery, Fromm & Sichel, and Seagram, see Morris H. Katz, Paul Masson Winery Operations and Management, 1944-1988, an oral history interview conducted 1990, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1990.

replaced Schenley, and I thought would completely dominate the premium wine end of the business by building up volume under the Paul Masson label. But their intense interest in Paul Masson began to diminish when Alfred Fromm, under his contract with the Christian Brothers, doing business as Fromm & Sichel, was asked by the Brothers to give up his efforts also to build the Paul Masson label.

The brand had enjoyed substantial growth. It was the second or third largest-selling premium California wine brand at its peak. In more recent times, the Paul Masson operation became just one of several large winery holdings of Seagram, which included Taylor California Cellars and Taylor-New York, acquired from the Coca Cola people of Atlanta, Georgia, who had gotten into the wine business in 1977 by buying Taylor Wine Company of New York. I believe the price quoted for Taylor-New York was about $93 million. With Taylor-New York went several other brands that had been owned by the Taylor people--Gold Seal was one of them, and Great Western another, for champagne.

Coca Cola had built up all these brands--especially Taylor California Cellars--to substantial volume, not under the Taylor-New York label, but under the Taylor California Cellars label. Coca Cola held onto these operations only until 1983--just six years after they had been acquired. Then they decided to unload them.

It might be of interest historically to note--although it's a matter of record--that while Coca Cola of Atlanta was still in the wine business, they decided to acquire all the holdings of Coca Cola Bottling Company of New York City, which included three brands that Coca Cola Bottling had bought many years earlier: Franzia, Mogen David, and Tribuno Vermouth. Well, Coca Cola of Atlanta could not add those three brands to the ones they already owned without inviting trouble from the Department of Justice with respect to anti-trust laws. So, immediately upon acquiring Coca Cola Bottling Company of New York, Coke-Atlanta divested themselves of these three brands--and that's how The Wine Group was formed here in California, under Arthur Ciocca. They simply took over those three brands from the Coca Cola people.

But not long thereafter--1983, to be exact--Coca Cola said, "We've had it with the wine people." You can well imagine our surprise--"our" meaning those of us who have lived a long time in the wine industry--to learn who would buy all of these wine holdings that Coca Cola had bought and/or built up: Taylor-New

York, Taylor California Cellars, Great Western, Gold Seal, and possibly one or two other brands. Who would buy them? Seagram. Now, you would say, "Well, that makes sense. Seagram was a giant operation," and they were and still are--in the spirits business.

But, interestingly enough, within a very short time after they took over all those holdings [1987] of Coca Cola of Atlanta, Seagram decided to divest themselves of all their properties except Sterling Vineyards, in Napa Valley, and the Monterey Vineyard in Monterey County. All the other holdings were sold to a new entity called Vintners International Company, Inc., which did not exist prior to that time. In other words, Seagram created Vintners International for the purpose of acquiring these holdings by one former employee and one ex-owner of Gold Seal Vineyards.

You're aware of the fact, aren't you, that when any company has property for which there appears to be no market, very often the owners will create an entity to buy it?

Teiser: Vintners International had Seagram people in it, didn't it?

Gomberg: There were two people.[1] One was the former owner of Gold Seal, one of the Taylor-New York properties, and the other was a former executive of the Seagram operation. These two gentlemen formed Vintners International, presumably well financed by the seller, because I'm sure these gentlemen didn't have access to anything like the quarter of a billion dollars which I understand was involved.

Teiser: Does that tie in with the general market shift that has taken place since? The fact that the upper end has been on the upswing and the lower end has been down?

Gomberg: No, I don't think one could say there is such a close relationship between the two. The growth of the upper end--the so-called premium end--of the wine business in the United States is a development that has no necessary relationship to what Seagram has done, or to what Heublein has done, or what National Distillers has done.

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[1]Paul Schlem and Michael Cliff. For a discussion of the financing, see "Vintners International's $240 Million Gamble," Impact, April 1 and 15, 1988, pages 1-21.

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Teiser: Perhaps, in a sense, they had added to that market division.

Gomberg: If it were that simple, yes; but it wasn't that simple, in my judgment, because, as I just mentioned, Heublein was another entity, and a big one, involved in the wine business. For example, Heublein, believe it or not, bought the Almaden operation from National Distillers, and within one week, I believe it was, turned over its entire wine business, including Almaden, to a London buyer, by way of the R. J. Reynolds and Reynolds-Nabisco operation, which owned Heublein at that time. (Reynolds had bought the entire Heublein distilled spirits and wine business several years earlier.)

But here we have R. J. Reynolds, within one week after acquiring Almaden, turning over its entire wine and spirits holdings to Grand Metropolitan Holding Corporation of London. So now you have Grand Metropolitan the owner of several major California premium wine interests, and holding also interests over and above the ones I've just mentioned, such as Beaulieu Vineyard, Inglenook, and just recently, the Christian Brothers. As you can see, it's been an ownership merry-go-round, of monumental dimensions.

I don't think--and this was your question--there is any decisive or meaningful relationship between these big firms getting in and out of the wine business, and the decided shift toward premium wines here in the United States. Because all of these wineries that I referred to--and I'm including all of them that relate to major shifts in ownership, both now and in the past five or ten years--had been premium wineries.

The Economy and Intermediate-Priced Market in 1990

Gomberg: So this is not a case of people getting out of the jug wine business and helping to build the premium wine business. These so-called jug wine operations that we talked about a short time ago were in competition with Gallo, and I haven't even begun to mention all of them, by any means. All of those were strictly jug wine businesses, and they're all gone now, for all practical purposes. The only one that's left is Gallo, in the West, and on the East Coast there is the Canandaigua Wine Company, which is now, I believe, the number two wine operation in America--

although you probably won't find them listed as number two in various publications because most such lists list only California wineries.

Teiser: Canandaigua has a good-sized plant still near Madera; it took over Bisceglia Brothers winery. That's still going, isn't it?

Gomberg: Yes, they produce California wine entirely or largely from Central Valley grapes, the wine to be used in further processing back in New York State before reaching the consumer. Believe it or not, they market the largest selling natural wine brand in America containing over 14 percent alcohol by volume. The name of the brand is Richards Wild Irish Rose. Would you believe that Richards Wild Irish Rose has now reached a volume, along with a few other brands of minor importance, which exceeds in gallonage all of the California port, sherry, muscatel, white port, angelica, tokay, madeira, marsala--you name it. The total of all these over-14 percent wines are exceeded in volume now by Canandaigua's Richards Wild Irish Rose all by itself.

There's only one brand of wine now in California above 14 percent alcohol by volume that sells in substantial volume, other than Gallo brand, which has the great preponderance of what's left of that business. There are several of these brands, all Gallo owned. The big one is Thunderbird, and then there are Night Train, Night Train Express, plus a few others. These are all called special natural wines over 14 percent alcohol by volume.

Teiser: And they still hold part of the market?

Gomberg: Yes. It's astonishing. If anyone had said to me even as recently as five or seven years ago that California would become the number two state in the union in the production and marketing of wines over 14 percent alcohol by volume, except for special natural, I would have said, "No, unthinkable!" Because thirty, forty, fifty years ago, 80 to 90 percent of all wines over 14 percent alcohol marketed in America were produced in California.

Teiser: What proportion of Wild Irish Rose do you think does come from California--of the finished product?

Gomberg: I can only estimate, because they've never disclosed the figure, but my best guess is that a minimum of 60 to 70 percent is of California grape production, possibly as high as 80 percent. The rest is the product of New York state Concord grapes and

other varieties that are used to give the wine its characteristic flavor.

Teiser: You've explained, really, in a way, another question I was going to ask. This is in relation to the slight downturn of the wine market here in recent years. I was about to say that if there were an improved market for lower priced wines, wouldn't that help the whole industry one way or another?

Gomberg: Hold your question for just a moment. Let me qualify the wording you've used: slight decline, you said. According to the best judgment of my associate successor, Jon Fredrikson, he predicts that in 1990 sales of all wines in the United States--predominantly California wines, of course--will have declined by approximately 100 million gallons from their peak of four years ago. So that is not a slight decline; that is close to a 20 percent drop, because at their peak, sales reached about 580 million gallons. His prediction is that in this year, 1990, sales will be down to around 490 million gallons. That's a drop of close to 100 million gallons, and it is a monumental decline, not a small decline, coming as it does after 50-plus years of almost uninterrupted increases, year after year.

LOOKING BACK

More on the Transition from Bulk to Bottled Wines

Gomberg: Before going into a little more depth in response to that question, however, let me call your attention to one point that I think I neglected to mention when I said that such one-time major popular-priced brands as Roma, Italian Swiss Colony, Petri, Mission Bell, Gibson, FI, Guild, Biscegelia, and so on, have for all practical purposes been driven off the market. Here's the point: prior to World War II, the predominant volume of all California wine sold (mostly dessert wine) was shipped in bulk (mainly in tank cars and tank trucks) to bottlers around the United States. At that time--we're talking now about 1934 to 1941--there were about 1,500 such bottlers, and they were buying the great preponderance of bulk wine during that period.

When World War II came, as I explained, regulations under the Office of Price Administration placed no ceilings on grapes but did on wine. This forced virtually every winery to get out of the bulk wine business, because the ceilings on bulk were so low, and into the bottled wine business where the ceilings were considerably higher.

When the war was over, there was relatively little such trade left, OPA regulations having laid the foundation for building winery brands instead.[1] I'm not talking now about premium wines, because they were still quite small--less than 5 percent of the industry volume and always bottled. The 95-plus percent were the so-called popular-priced and economy-priced wines. The war situation laid the foundation, as I say,

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[1]See also page 48.

for the shift from bulk wine to bottled wine, but the only winery that had the interest and desire and the will and the funding to promote its brand of bottled wine, to the exclusion of everything else, was Gallo. Roma was owned by Schenley, and Schenley's major business was distilled spirits, not wine. National Distillers owned Italian Swiss Colony at that time, and their business was spirits, not wine. Seagram was relatively small at that time because their main winery interest was in Paul Masson--I'm talking now about right after World War II--and a few other brands. And then there was the marketing of The Christian Brothers wines, by way of Fromm & Sichel, in which Seagram owned an interest, so that was their primary wine business.

But, as I say, for all practical purposes, the only entity that had the will and the ability to promote its popular-priced wines after World War II was Gallo. The rest all faltered, fell by the wayside, lost interest. A few kept trying but were no competition for Gallo. Only the premium brands managed to survive successfully.

Teiser: That shifted the merchandising completely, didn't it?

Gomberg: Completely shifted the merchandising. Completely. It got to the point, in fact, where so many bottlers--this was not the result alone of the skills and efforts of Gallo, but because most of the bottlers had been driven out of the wine business to a large degree during the war because they couldn't buy bulk wines. Some of them made deals with California wineries to stay alive and keep their brands alive, but most of them dropped out of the picture, one by one--not all at once, but one by one. The 1,500, which was the peak, as I recall it, of the bottling trade for wine nationally, had declined to less than fifty after World War II. Now, to the best of my knowledge, it's zero; there are no bottlers alone left in the business, as far as I'm aware.

You see, a big bottler was Canandaigua, but they shifted from just bottling to producing, too. Also a big bottler prior to World War II was Mogen David in Chicago. They shifted to Mogen David brand as a producer. Prior to that they were just a bottler.

Teiser: There were bottlers in New Orleans.

Gomberg: Yes, bottlers all over the country--Florida and so on. I wanted to bring out that point, because Gallo has succeeded, in my

opinion, largely due to determination, skill, the ability to outsmart, outfox, outmarket competition.

Teiser: Outwork, too, maybe.

Gomberg: Oh, yes. He [Ernest Gallo] would travel--he used to; I don't know if he still does (he just turned eighty)--all over the country and go into stores that either were not handling his wines or were not doing a good job. He would talk to the proprietor and persuade him to start making a big display out of Gallo wine.

Marketing and Laws

Teiser: Do I remember that Gallo stepped in and bought some bottlers in a couple of instances?

Gomberg: The only two bottlers that I recall that he bought were one called Melody Hill in Indianapolis, and the other, PIO, was the biggest-selling brand in the state of Pennsylvania at one time.

He moved into Indianapolis successfully by taking over Melody Hill. Gallo had been listed in Pennsylvania prior to this episode, and then the reports in the industry--I can't vouch for this, because I don't have any evidence in my possession, nor have I seen it--were that he got into some kind of dispute with the Pennsylvania Liquor Control Board, and they discontinued handling his brand.

The average person would say, "That's tough; I'll see if I can't get back in," and maybe make some effort to get back in. Gallo was so smart that he decided the way to get back in was not to try to undo what had already been done: "I'll do something that's never been done before." He checks to see which is the biggest-selling brand in the state of Pennsylvania, and he buys it! [laughter] As a result of which he gets back in the state with virtually no mention of Gallo on the label at all. The brand name "PIO" is the big brand, but little by little the big brand name goes down in size and the name Gallo goes up, and eventually it becomes only Gallo brand.

That's an example of his astuteness. He was a genius at that sort of thing. He's outsmarted everybody in the industry when it comes to marketing. He was cited on two occasions with

which I am familiar. I may have mentioned one--the Office of Price Administration--for alleged breach of the regulations. The reason I remember this so well will become evident when I finish this little anecdote.

I got a call from him one day--this was when I was still with the Wine Institute--and he said, "Will you please go to Sacramento? My attorney will be there, and we're going to have a meeting with the U.S. attorney's office in Sacramento, because they think I have violated the OPA regulations ceilings." It turned out that there were, I think, thirty-nine accusations of violation. The purpose of my going to Sacramento was to help explain two things, primarily: what the thinking was of the industry behind the OPA regulations as applied to wine; and, second, how what Gallo did must have been an innocent, unintentional, non-felonious violation of the regulation.

Gallo's attorney and I did talk to the U.S. attorney, and we were informed early on that the he was planning to turn the matter over to the grand jury. When we finished explaining what had happened, and that no intentional violation occurred, the U.S. attorney switched it from a grand jury proceeding to a nolo contendere action which, as I recall it (I'm a little hazy on that now), says, "I never committed any of these acts in violation of the law, but I promise never to do it again."

As a result of which, instead of being indicted and facing the possibility of criminal action, he paid, as I remember it, $1,000 apiece in the settlement for these thirty-nine alleged violations. The reason I say I remember it so well is that the following Christmas--this was in the mid-forties, during World War II--about 1944, as I recall--in the mail is an envelope from Gallo, and in the envelope is a check. (I don't think I'm breaching any confidence by saying this.) This was a check in appreciation for my having gone to Sacramento and helped get this thing straightened out. The check was for $1,000.

I took it to my boss, who at that time was Harry Caddow at the Wine Institute. I said to Harry, "Look, I got this check in the mail from Ernest Gallo, and I don't feel I'm entitled to it, because all I did was to go up to Sacramento and help to explain that the violations of which Gallo was accused were at the worst unintentional. They resulted from a misunderstanding of the regulations, and the service I rendered was already paid for by the Wine Institute, so I don't think I'm entitled to this check. I'm planning to send it back."

He said to me, "Lou, if you send that check back to Gallo, you're fired." So I never sent it back; I kept it.

That was one instance. Now, in the more recent past--I wasn't directly connected in any way with this, but I did do some work in digging up facts and figures for the industry--he was accused by the Federal Trade Commission of, shall we say, using practices that were alleged to be impermissible under the law in building up his sales volume. A simple language term used for that, you might say, is "arm-twisting" of the trade: "Look, you've got to buy my product, or else," you know.

At any rate, the Federal Trade Commission cited him, as I recall it, for seven such alleged violations of the Federal Trade Commission Act. Here again, he was in no way criminally prosecuted. He signed an order not to do any of these things, without admitting that he had ever done them before. That went on for about seven years, I would say. That would have brought it up to about the early to mid eighties. About six or seven years ago he went to the Federal Trade Commission and said, "Look, gentlemen, the situation in the industry has now changed radically. We have new competition now. We have Coca Cola of Atlanta competition; we have Beatrice Foods of Chicago, who have bought into the industry in the meantime as competition; and Pillsbury Mills out of Minneapolis that have bought into the industry; we have Nestlé Foods of Switzerland who have bought into the industry," and so on.

As I remember, his argument--it became a matter of public record--was that this alleged arm-twisting could not be done any more because there were now super-giants, multibillion dollar companies, with which he had to compete. And he was relieved of the constraints contained in the seven-point citation.

The Anti-Trust Threat of 1942

Teiser: This brings to my mind something not connected with it, but another legal threat, in 1942. Do you remember the indictment drawn up by the federal grand jury here in San Francisco against almost the whole industry?

Gomberg: I remember it well. I was deeply involved. What happened was this: You're talking about a grand jury proceeding here in San Francisco, in which, as it turned out, the Wine Institute and

many major members of the Institute were to be cited for violations of the anti-trust laws, basically for price-fixing--getting together and agreeing on the minimum price that everybody was going to charge. Yes, I was then with the Wine Institute, and I remember it well because there were two gentlemen and I who were directly asked to go to Washington to discuss it with the U.S. attorney general in Washington. I went, and the gentleman who was then in charge of commodity loans for the Bank of America, Jesse Tapp, who later became chairman of the board of the bank, and another gentleman, who was an attorney out of Fresno, whose name was Mount [K.] Wild.

The three of us went to Washington to discuss it with a representative of the U.S. attorney general. And we did explain.

What we did was to point out that competition in the industry was extreme and involved. At that time, out of the ten biggest wineries, as I remember it, three or four of them were co-ops, so they were both growers and vintners, and they were in a position to cut prices if they chose to do so unmercifully.

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Gomberg: So the three of us sat down with this gentleman in Washington and explained the complexity of the situation, why it was necessary to have some kind of agreement, even though it was not enforceable in law, among and between the wineries to prevent severe injury, if not financial death to many of them, should prices fall as low as some of them were prepared to lower their prices.

The corollary to that--both federal and state laws at that time, as now, provided in the case of agriculture, for what would otherwise be violations of anti-trust laws, for growers to get together and fix minimum prices, put restraints on shipments, and all that sort of thing. With those privileges in mind, and bearing in mind that at that time I think about half or more of all of the tonnage of grapes crushed for wine was crushed by growers and co-ops--in other words, the wineries grew all or a good many of the grapes themselves, and in the case of co-ops, all the grapes were grown by members of the co-op. So they represented at least 50, maybe as high as 60 percent of all the grapes crushed.

On that basis we were able to get the attorney general in Washington to send a communication to the grand jury foreman

here in San Francisco, and to the U.S. attorney, saying, "We have looked into this matter carefully, and we direct that you discontinue any further criminal investigation regarding the wine industry." He did send this wire, and I remember a story appeared in the paper the next day when I got back, saying, in effect, "Grand jury foreman protests action by Washington to discontinue investigation into the wine industry which would have led to criminal prosecution for violation of anti-trust laws."

If there had been no important relationship between grape growing and winemaking, the action to prosecute would have been right. But here was an industry that was at least half, and maybe 60 percent consisting of growers. The 40 percent were caught in the middle, so to speak, and were helpless to do anything about it because these growers were also wineries and were, in effect, setting the price of the grapes indirectly by putting prices on the wines that they sold. It was the right thing to do, under the circumstances, and I said that to myself as a lawyer as well as, I think, a fair-minded person.[1] The price of wine did not become unconscionably high as a result of that; and besides, the great preponderance of that wine in those days went to, shall we say, the poor man's whiskey trade--I'm talking about fortified, or dessert wine, as we called it.

From Bulk to Bottled, Continued

Teiser: We were discussing the change in merchandising as a result of bottling. What were the effects on merchandising in general?

Gomberg: There were many effects. Number one (not necessarily in this order of importance) was the reduction from a peak of around 1,500 independent wine bottlers all over the United States, bottling the wine mostly under their own brands; the sudden disappearance of most of that trade during World War II; and the now complete disappearance of bottlers' brands, for all practical purposes, because the independent bottler no longer plays an important role in the marketing of wine. Furthermore,

[1]See also the interview with Burke H. Critchfield in California Wine Industry During the Depression, an oral history interview conducted 1970-1972, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1972, particularly the interview history.

those bottlers, with very few exceptions, bottled almost entirely dessert wines, not table wines.

Teiser: Was there an increase in brand advertising then, when bottling took over?

Gomberg: Wine was always bottled, except in a few states like California, where you could get a jug filled from a barrel at a retail package store. But that was permissible in very few states.

Teiser: The bottlers used different brands; they didn't always use the winery's label?

Gomberg: They were all local bottlers, selling locally, and advertising locally.

Teiser: Wasn't there, then, a shift in advertising?

Gomberg: Let's put it in this context: I think I mentioned that about 80 percent of all the wines shipped from California wineries prior to World War II were transported in tank cars and tank trucks, and almost none of that was bottled under the winery's brand; it was bottled under the bottler's brand. The only brands that were of any importance prior to World War II were Roma, Italian Swiss Colony, Petri, and a few others. They were not major factors in the markets nationally, but rather major factors in California and a few other states.

But, for example, the biggest-selling brand for some time in the city of New York was Mission Bell. What is Mission Bell brand? That was owned by the Arakelian family winery at Madera, California. You might ask, "How did that brand get started?" Well, the Arakelian family made arrangements to ship the wine in bulk to their own bottling location in New York, where it was bottled under the winery's own Mission Bell brand. It was advertised on radio and in newspapers, and for a time it was the largest-selling brand in New York. Later, Chateau Martin brand, owned by a New York bottler, became number one, as I recall, only this time the bottler had to acquire a California winery to assure its source of supply.

Teiser: Then there wasn't much national advertising?

Gomberg: No, there was no national advertising of any wine that I can recall at that time, except little premium winery ads occasionally in a fancy magazine--something like that. There was no television then, but on radio and in newspapers and

magazines, the big media of communication, there was no national brand advertising in those days for non-premium wines.

Premium Wines and Their Products

Teiser: What kind of promotion and advertising and merchandising have the premium wineries used?

Gomberg: First you've got to look at the premium segment of the industry in broad perspective. You heard me mention a little while ago that the premium wineries represented less than 5 percent of the California wine industry prior to World War II. There were not more than about thirty or thirty-five premium wineries in California altogether. Outside of California there were maybe at the most twelve or fifteen premium wineries, including one or two in Ohio, three or four in New York, one or two in Michigan, and so on, mostly very small and few in number. In the aggregate and historically, California premium wines were only about 5 percent of all California wine shipment volume into trade channels, and the premium wines of other states were barely one fifth of that.

The Office of Price Administration regulations during World War II permitted a winery to charge the highest price at which their wine brands were sold during the base period prior to the war. Naturally and obviously, every winery that could rightfully and legally do so, chose their highest-priced brand, and in a few instances they were premium priced. In California, for example, Schenley owned not only Roma, the giant, but they also owned Cresta Blanca, which they bought prior to World War II. They bought it, as I recall, in 1941. Naturally, when World War II came and the OPA regulations permitted you to use the highest-priced brand that you had legally on the market in the base period, they diverted I would say a good part of their gallonage--probably much of it--to the Cresta Blanca brand.

Teiser: I remember that happened, but I didn't know why.

Gomberg: When the war was over, of course, sales started to drop precipitously. The same thing happened with Lou Petri. He didn't have a premium brand that amounted to anything, but there was one limited-volume brand he called "Angelo Petri Signature." Naturally, he tried to sell as much as he could under that brand, which was relatively high-priced, but it really didn't

amount to very much. As I remember, after the war that brand, too, dropped from what small volume level it had reached. Other wineries, including Italian Swiss Colony, had much the same experience.

The premium sector of the wine industry of the United States was concentrated in California--very few outside of California--and, as mentioned, there were only about thirty or thirty-five in California. Now, that's looking at it from a broad perspective standpoint. Look at it now today, in contrast. There are not only not just thirty or thirty-five premium wineries in California; there are now over 500 premium wineries in California alone, selling their wines at prices above the so-called jug wine level. Not only that, but there were only about, I would say, five or six states that had any premium wine operations prior to World War II. Today forty-four states have one or more premium wineries, and the number of such wineries outside of California has risen from, like I say, twelve or fifteen at the most to well over a hundred.

Teiser: How have they made that segment grow?

Gomberg: You've got to understand <u>who</u> made it grow, rather than <u>how</u> they made it grow. To the best of my knowledge, the one person to be credited with stimulating most of these other states to get out of the common, ordinary, popular-priced wine business and into the premium wine business was our friend Leon Adams. In the past thirty-five years since he left the Wine Institute (he left it in 1954, as I recall it) he has made it almost a mission to go from state to state to encourage the potential grape growers and winemakers of those states to get their laws amended to permit the production and marketing of fine wines at a reasonable profit. He is responsible, in my judgment, for most of the state laws that have now been amended to permit such production.

You might say, "That explains, perhaps, from one point of view how this segment of the industry has grown. What other explanations are there?" Well, here's one: as you know, wine has a rich cultural background, covering religion, covering literature, covering politics, covering economics--the economics of winegrowing having been recognized, in a small way, for hundreds and hundreds of years. Wine has a cultural appeal as a science, it has a cultural appeal as an art, and perhaps as persuasive as any appeal that it has is that it enables a newcomer into the industry to rub elbows with important people. I would put that high up on the list of reasons.

As a result of all these things, you look now at the roster of winemakers in the United States, including the approximately 550 in California and another two or three hundred in other states, and you will find that many were doctors, lawyers, very successful businessmen, airplane pilots, professors at colleges and universities, some of whom who gave up their careers to become winery owners, and so on and on and on. The list is incredible.

Teiser: In the thirties and through the forties, too, winemakers were not sought after as they are now, as I'm sure you remember.

Gomberg: That would be true in part, but not entirely. Let me give you an example: one of the greatest winemakers in French history is the Rothschild family, the richest Jewish family in the world at that time. They were very proud of their winery operations, and there are still two Rothschild wineries in France. Now, if you're talking about winemakers who are employed by the owners of the property, you would be right.

Teiser: I'm talking about California winemakers as a whole, except for maybe John Daniel, Jr..

Gomberg: I wouldn't say that that is correct, even in California. John Daniel certainly is not an exception to the rule, in my opinion. I'm talking about premium wines only, now; I'm not talking about Roma brand or Italian Swiss Colony brand, or Petri brand. For example, Paul Masson himself was a very highly regarded person in the cultural life of California a century ago. The Wentes of Livermore were winemakers, but they were also very highly regarded. One of the Wente brothers, Carl, became president of the Bank of America.[1]

You take another distinguished name, the de Latour family of Beaulieu Vineyard fame. The de Latours were in very high social regard when I arrived here in 1933. They started in 1900, and the original Georges de Latour was still alive then. He operated all during Prohibition for the production of sacramental wine for the Catholic Church. So did Concannon. He

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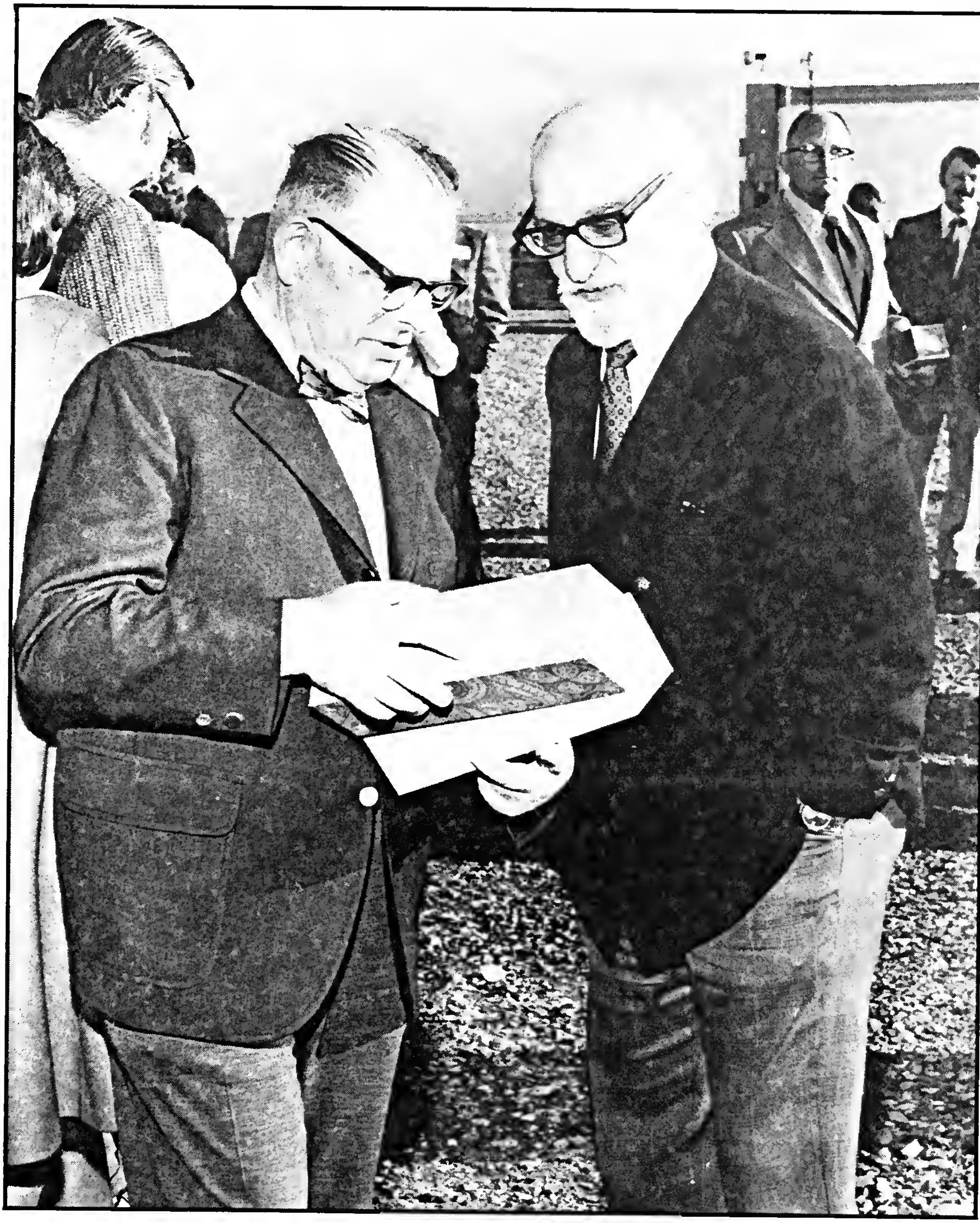
[1]Carl Wente, a brother of partners Ernest and Herman Wente, was not part of the family wine business.

was very highly regarded; he even once sent wine to the Pope in Rome as a gift.

So I would not say that these premium wine people were just ordinary winemakers and not highly regarded socially. They were so regarded, for the most part. Oh, there were a few exceptions, of course. The Mirassous, for example, were not very active socially back in the thirties and forties, nor were the Mondavis when they first entered the industry right after Repeal--but subsequently became quite active socially, and today Robert Mondavi is famous in the world of wine for his efforts to gain recognition for the universality of wine.

But getting back to your question regarding winemakers generally, you would be right if you were to take the state as a whole, yes. There was nothing very refined or attractive about grape growing and winemaking, but there were these exceptions, and those are the ones I'm talking about.



Leon D. Adams and Louis Gomberg, late 1980s.

WORK AS A CONSULTANT

A Wine Movie and a Wine Book

Teiser: We discussed your career up to the time you went to work for Louis Petri. Since you returned from his employ in 1952, to 1983, when you sold this business and theoretically got out of it (but not quite), you were on a pretty straight course, weren't you?

Gomberg: Substantially, although when I got out of the Wine Institute and opened my own office as a wine industry consultant in 1948, I was the first of the breed, I believe. There were no other _wine industry consultants_ at that time. Indeed, there were _wine consultants_ then, but they were all technologists--people involved in the technology of winemaking. My work was that of all aspects of the industry, as I had done at the Wine Institute, but even more diversified because I was able to do things as an independent contractor that I could not have done when I was with the Wine Institute.

For example, I was approached by a young man in the middle fifties. I had opened my office in '48, and he came in to see me in '55 or '56, and said, "Mr. Gomberg, I understand that you helped put things together in the wine industry." I said, "Well, I've done a certain amount of that, yes. What is it that you had in mind?" He said, "You've heard of the famous book by Alice Tisdale Hobart, _The Cup and the Sword_? She wrote this novel, and it was built around the life of Georges de Latour, founder of Beaulieu Vineyard in the Napa Valley." This young man then said, "I've been an usher and a head usher in Grauman's Chinese Theater in Hollywood, but now I've decided I want to do a motion picture based on this novel."

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Gomberg: "It's a wonderful story, and I think it would make a great motion picture." I asked, "What do you want of me?" He answered, "I need $50,000 to pay the screenwriter to do a script." I said I wasn't about to try to raise $50,000 for him to get a screenplay written unless he had a pretty rock solid basis for my doing so.

He said, "The writer is Casey Robinson," and then he rattled off the names of some of the famous screenplays Robinson had written. One of his most recent ones was the famous one about the mountains in South Africa, and he had done quite a few for Bette Davis and other famous people. I said, "If you can give me a two-page statement of what you have in mind and what you propose to do, I'll see what I can raise."

He did give me that, and I did go to my friends in the industry, and I raised not $50,000; I raised $25,000, on condition that if the picture was produced they got a percentage of the profits from the picture. He got Casey Robinson to accept the $25,000 to write the screenplay, and then he started to find some producer to do the production of the screenplay.

Well, he wasn't able to persuade any of them, so he went one night to the home of Rock Hudson and told Rock Hudson, "I've got a screenplay by Casey Robinson, and you will star in it and do wonderfully well. I need your name, because if you're willing to do it I can get Universal International to produce it." Sure enough, he left the script with Hudson, Hudson read it and called him the next day and said, "This is for me. I'll recommend it to Universal International."

Hudson did, and Universal International said, "Mr. Hudson, if you'll do the picture, we'll finance it." So it cost them $3.5 million dollars to produce the picture. It starred Rock Hudson, Jean Simmons, Claude Rains, and Dorothy McGuire. The chap that I raised the money for formed a little corporation called Vintage Productions, Incorporated. The picture was produced,[1] and the last I heard it had grossed over $30 million. My guess is that by now it must have grossed at least $40 or $50 million.

Teiser: So some of your wine industry friends made a little money?

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[1]Released in 1957.

Gomberg: They did, but not as much as they should have, because the deal was not as generous as it should have been. Instead of all my investors that I got to put up the 25 grand getting a good-sized piece of the total action, all they got was a small percentage. I think it was 10 percent of Vintage Productions profits. The other 90 percent went to the screenwriter and to this chap who called on me. The investors got their money back and a little bit more. I got a fee. I forget what it was now; I think it was $7,500. I didn't get paid at all for raising the money, but I got this fee for being the technical advisor in the production of the picture. Mostly it was the satisfaction of getting the picture made. It was the first major motion picture of its kind ever produced about the California wine industry, as far as I know.

The second experience in that general direction was the satisfaction I derived from helping to get a luxury book published about California wines, put out by the University of California Press, called The Story of Wine in California.[1] That was another instance of getting something done that had never been done before. I helped the photographer, Max Yavno (it was an illustrated book), and the U.C. Press people put the book together. M.F.K. Fisher wrote the text.

Inglenook, United Vintners, and Heublein

Teiser: For the wineries themselves, you helped them put together deals. Typically, how did that sort of thing work? Did somebody come to you and say, "I'm a lawyer, I've made a lot of money, and I want to buy a winery"?

Gomberg: Both sides. People came to me and said, "I want to buy a winery. Will you help me find one?" And the other way, winery owners said, "We've had it. We want to get out of the business. Will you find us a buyer?"

Teiser: Did winery owners ever say, "We're short on money. Can you find me a partner?"

Gomberg: Yes, I've had a few of those. But the main wineries with which I've been involved in that respect, I've functioned as a real

[1] Published in 1962.

estate broker. I've been so licensed since the early 1950s. My first major deal under that license was the sale of Inglenook to United Vintners (which later sold out to Allied Grape Growers).

There was no common denominator among these. Each one was different. They say there's no general rule. For example, the biggest deal that I handled was the $40 million sale of United Vintners to Heublein. That was in 1968, and at that time it was the biggest deal to date. There have been bigger ones since then. In that instance I wasn't approached by either party; I dreamed up the concept that United Vintners needed some stimulus, because Louis Petri, with all due respect to his skills, was not a merchant. He was a wheeler and dealer; he would buy and sell properties, and that's how he made his big money.

Like, for instance, he wanted to sell his winery, and nobody wanted to buy it; so he created a buyer.

Lou Petri formed the Allied Grape Growers in 1951, and that was a typical example of what I consider to be his brilliance, if not genius, in respect to transactions involving purchase and sale of properties.

The reason I say that is because I had something of a hand in helping Mr. Petri to find a buyer for his winery property, which he wanted to sell after World War II was over. This was in the late forties, about '48. He wanted to sell, and there were no ready, willing, and able buyers, to the best of my knowledge; I was unable to find one for him, and he couldn't find any. So he did the thing that would occur only to a creative mind. The creative mind says, "If a buyer doesn't exist, create one." And he did.

He went to his growers, from whom he had bought many tons of grapes over the years, and said, in effect, to them, "Now that the war's over and the market conditions are getting back to normal, and you're having trouble selling your grapes, and I'm having problems selling my wine, how about forming a team? I will assist you in forming a new organization of grape suppliers called Allied Grape Growers, and I will be buying your grapes, not as the Petri Wine Company, as I have been doing in the past, but as a new entity called United Vintners. You will share in my profits, just as I will share in your profits, and

so working together in harmony like that we will help to insure our financial success." And that's exactly what happened.[1]

I found that the United Vintners deal fitted in very well with my counselling, because United Vintners in those days needed better marketing. The growers--Allied Grape Growers--owned it, and they were not expanding their markets. Heublein didn't have any wine business except a few lines of imports. They didn't have any United States or California wines. I had become friendly with the chairman of the board of Heublein, John Martin, during World War II when I often visited Washington, and I went to him and said, "What if United Vintners were available to you? Would you be interested?" "Yes! That's the kind of property we'd be interested in." And eventually it was put together.[2]

Wine Industry Statistics

Teiser: Your other functions, then, as a consultant included gathering statistics and making them available?

Gomberg: When I joined the Wine Institute in 1935, there were no wine industry statistics being issued by the Institute. The nearest thing to it were some statistics put out by the University of California Giannini Foundation of Agricultural Economics in Berkeley. So my first self-assigned duty was to start putting out periodic statistics on the wine industry. I had had the advantage, as you know, of a statistical minor in my undergraduate days at the university, so I knew something about statistics. As a result of that, I started the wine industry statistical surveys. I think my first one was in the 1936, shortly after I joined the Wine Institute.

In addition, I also initiated the Wine Institute Bulletins to members, which reported in some detail what was then going on in the wine industry.

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[1]See also Louis A. Petri, The Petri Family in the Wine Industry, an oral history interview conducted in 1969, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1971.

[2]See also pages 61-62.

Teiser: As a consultant, then, did you continue--

Gomberg: I continued to do very much the same sort of counseling, except that as a consultant my relations were on a consultant-client basis, instead of as a trade association research director and member-of-trade-association basis. So there was quite a difference. I continued to do that right up to the time of the transfer of my business in '83.

Teiser: As an independent consultant, where did you get statistics, and what did you do with them?

Gomberg: I would get the data mostly from the State Board of Equalization in Sacramento, which receives monthly tax reports, based on gallonage production and shipments of wine subject to tax, from each winery. I would assemble the figures for the important wineries; I didn't attempt to do every one, because even in those days there were about 250 or 300 altogether. But I got data for the important 50 or 60 top wineries and put their numbers down, month by month--shipments into trade channels--and made those figures available to my clients.

Teiser: But not to the industry in general?

Gomberg: No, not to the industry in general.

Teiser: When did you start writing articles on industry trends for <u>Wines & Vines</u>?

Gomberg: Oh, that started in the early 1950s.

Teiser: So you were, in effect, making your data available through that.

Gomberg: Yes, but in those days it wasn't so much statistics that I was writing and reporting on; I was emphasizing economics--the economic problems of the industry. In fact, now that you mention it, it's amusing that I recently read some of my early writings and found that I wrote an article for <u>Wines & Vines</u> in 1952 on the need for a state grape commission, and the importance of stabilizing the industry legally under this commission set-up. Way back in the early fifties, the only thing of this character that had been done up to that time that had succeeded was the marketing order for wine--which, as you know, started in 1938. In this article, in October of '52, entitled "Memorandum on an Overall Stabilization Program," I recommended the establishment of a California grape commission; and now we have the California Wine Commission, which is not the

same thing but similar in principle as far as legislative formation and program objectives are concerned.

The purpose was to help bring about stability in the industry, because except during the war years when there was a scarcity of everything, we had surplus after surplus most of the time.

My point in calling your attention to this article in 1952 is that it will be forty years, in just two years, since I urged the industry to get legislation forming the California grape commission. Last year legislation was adopted, creating the California Wine Commission for the first time. It's still not by any means all that needs to be done, but it's a step in that direction. I'm often accused, you know, of being too far ahead of my time.

Teiser: Only thirty-eight years [laughter].

Gomberg: And even then, it's not it, yet.

Projects for Possible Buyers and Sellers

[Interview 3: February 22, 1990]##

Teiser: After we finished taping last time, you showed me a study of the industry you had made for a company that was considering entering the wine industry in California. Do you often do those?

Gomberg: It's now forty-plus years since I opened my office as a consultant. I've done not more than ten or twelve such reports, so I averaged one every five years or so.

Teiser: When you do that, do you start with the specific things that the company wants to know? How do you go about it?

Gomberg: It starts usually with a preliminary conversation on just what the client has in mind with regard to possible entry into the industry, what they're seeking. Then I respond by putting together a document that I like to think answers most, if not all of their questions about possible entry, having to do with the nature of the entry, having to do with the advantages of

entry, having to do with the disadvantages of entry, and so forth.

Teiser: So you have to survey the whole industry in relation to that?

Gomberg: In relation to the needs of the inquiring client, yes. Of course, surveying the whole industry really means, in practical terminology, looking at the industry from the standpoint of the client's desires, objectives, goals, et cetera, and then responding by coming up with various suggestions about choices.

Teiser: If, for instance, you were making a report for someone who was interested in entering the premium wine end of it, would you first investigate that area of the industry?

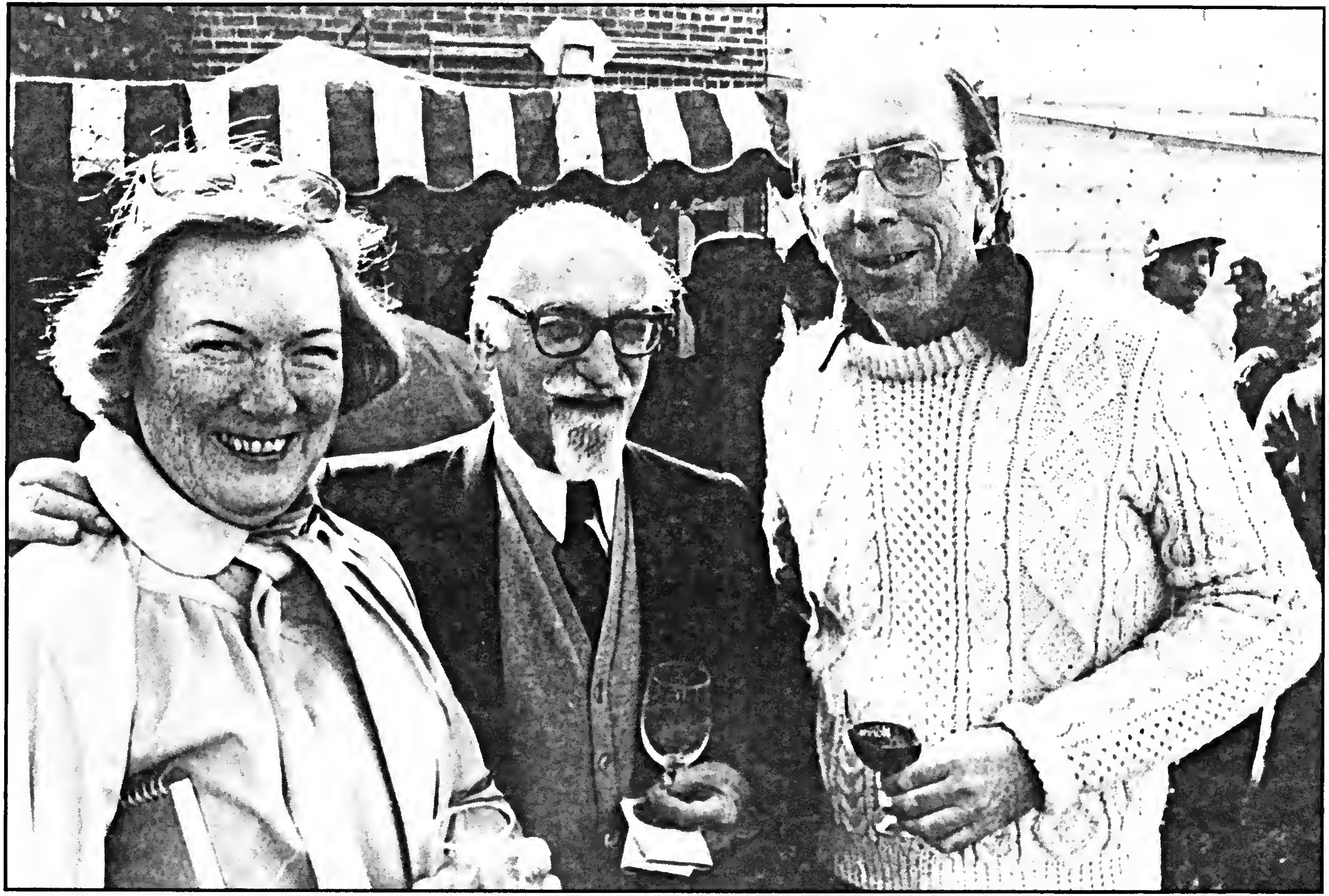
Gomberg: Yes, I would respond, but I would first ask the client to define as specifically as possible the dimension of its interest--that's in terms of dollars to be invested, in terms of case volume to be attained, and so forth; numerical dimensions. Then I would ask as to location--where they would prefer to be located, because today there are <u>many</u> different possible areas of location. And I would ask them as to their ultimate objective--what they are seeking to do eventually, assuming that they enter and the formula fits their aspirations.

Teiser: Have you had inquiries from companies wishing to enter the business who didn't want a whole report; they just wanted your opinion on this or that?

Gomberg: Yes, there have been quite a number of such inquiries over the years.

The major entry into the wine industry which I have identified was back in the late sixties, when I called the attention of the Heublein people to the possibility that the number two winery at that time, called United Vintners, might be available. In that case I didn't prepare a formal study for the Heublein people. I merely explained to them that there was a possibility of acquiring United Vintners, and I made myself available to the Heublein people to respond to many questions that arose in connection with their consideration of this acquisition.

Teiser: In that case you had a close understanding of the business, having worked with Petri earlier.



Suzanne Gomberg, Louis R. Gomberg, and James Concannon at the Concannon winery, ca. 1980.

Gomberg: Yes, I had a special understanding of United Vintners, having had a slight hand in its formation. It was really the creature of Louis Petri.[1] That was in the late 1960s.

But my work in the area of calling possible availabilities to the attention of clients who had sought my guidance and information started a few years after I opened my office as a consultant. That would be in the early 1950s.

Teiser: Would someone in the wine industry who wanted to sell ask you to find a buyer?

Gomberg: Yes, I did have some. As a result of those inquiries in the early 1950s--I think the year was 1953--I secured a California state license as a real estate broker. That authorized me to function in that capacity as intermediary between buyer and seller.

Teiser: Then did some people who wanted to buy come to you and ask you to find property for them?

Gomberg: Yes, there were a few of those. But I would say that the majority of the transactions in which I was involved as intermediary--in other words, as a broker for either the buyer or the seller (sometimes both; it's perfectly permissible to serve both parties, if both parties are informed in advance of your dual capacity, and I did that on a number of occasions)--occurred as a result of buyers seeking sellers, rather than sellers seeking buyers.

Teiser: Did a lot of property change hands in the sixties and seventies?

Gomberg: Quite a bit, yes. The big one at that time was the sale of United Vintners--82 percent, not 100 percent--to Heublein.

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[1]See also pages 57-58.

More on Market Stabilization

Teiser: You mentioned that you were interested in stabilization programs, and that you had written an article in 1952, and that something you suggested in it had been done.[1]

Gomberg: Not exactly. The basic idea that I proposed in that article in 1952 has come into being in part, but not in its entirety. In the article in 1952, which was written seven years after the end of World War II, there had been good years and bad years. The great year was in 1946, when the market for grapes and the demand for wine reached unprecedented levels. It was obvious to those of us who were familiar with the market situation that the reason why that occurred was that during World War II normal supplies of wine were depleted because the demand was so great and the supply was so small.

So in 1946 the demand for grapes was higher than it had ever been prior to that time, prices to growers were higher than they had ever been prior to that time, and the demand for wine in the marketplace was greater than it had ever been up to that time. It was a case, for those of us who studied the situation carefully, of filling pipelines--warehouses--that had become empty during the war. None of us realized at that time that it was a one-year situation, because in 1947, the following year, the grape market collapsed, the wine market collapsed, growers took a terrible beating, and wineries found themselves in superabundant supply of unsold products.

It was then, in 1948--the year I opened my office--that I decided that what the industry needed was some form of stabilization which would prevent runaway, excessive prices and excessive shipments into trade channels, followed by the severely depressed prices and severe drops in market demand for product. So I started, you might say, a crusade--a mission--to try to get the industry to adopt some form of stabilization program which would tend to bring supply and demand, both of grapes and of wine, into better balance than they had been in previous years, and to keep them there on a continuing basis.

However, the industry was not prepared to go quite that far. There were two programs that I mentioned that were adopted in 1949. One was called the Marketing Order for Grape

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[1]See pages 59-60.

Stabilization. Well, it was a half-baked effort to create a fund of money during normal conditions and times, so that when adverse conditions and times occurred growers could be paid from this grape stabilization fund, at least in part to compensate for their costs of production, because in severely depressed years growers wouldn't even recover such costs. That was a State of California marketing order.

I remember it well because it was in effect about the time I became Louis Petri's executive assistant. The program lasted just a little over one year [September 1949 to December 1950]. It was terminated because the industry realized that it was simply not possible to raise adequate funds to compensate growers for losses sustained as a result of product surplus and depressed prices.

Teiser: Where had its funds come from?

Gomberg: The wineries were the ones who paid the assessments that built this grape stabilization fund.

Teiser: What happened to the money, then?

Gomberg: The funds, as I recall, were returned to those who put the money into the account, and so, in effect, the program was abandoned.

There was another program--I think it was the same or the following year; that would make it 1949 or 1950[1]--called the Marketing Order for Wine Processors. The purpose of that marketing order--also a state order--was to put all wineries on shipping quotas based on prior shipment volume, so they could ship only so much into trade channels and thus not flood the market.

Well, wineries realized that this was no way to go. It didn't solve the problem of surplus; it just meant that the wineries that had already contributed to the surplus, as had the growers, were sitting there with unsold products that couldn't move into trade channels, and that was no solution. So that was abandoned.

Teiser: Wouldn't that have put a cap on growth for a while if a winery really wanted to grow and was held back by not being able to market more than a certain amount?

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[1]It was in effect from June 1949 to June 1952.

Gomberg: You could say that that was the purpose of the Marketing Order for Wine Processors--to put a ceiling, a limit, on both winery expansion funds and new winery entries. But it did not function as the industry hoped it would.

I should say at this point that I personally felt that both the Marketing Order for Grape Stabilization and the Marketing Order for Wine Processors were efforts to stabilize the industry without solid bases, either one of them. I did not feel that either one was likely to do the job. That's why, in 1952, I wrote that article and said to the industry, "Gentlemen, in my opinion, the way to solve this imbalance between supply and demand, years of excessive surplus and depressed prices, and years of shortages and runaway high prices, is to have a permanent program applicable to all three branches of the industry, functioning under a state commission called the California Grape Commission." That was the name of it. Each of the three branches of the industry would function under that commission. There would be a subcommission for grapes entering fresh fruit channels, a subcommission for the grapes entering raisin channels, and a subcommission for grapes entering wine channels.

Teiser: And brandy?

Gomberg: Wine and brandy, yes, and concentrate and other products of the wine industry. Much to my regret, that proposal was not acted upon. So for the next approximately ten years, the industry struggled through continuing imbalances between supply and demand, until at the end of the 1950s there was a decision by a group in the Central Valley. That was while the Central Valley was still the predominant area of production of wine because the demand was predominantly for dessert wine made from Central Valley grapes. That was when such wines were still 70 to 80 percent of the industry.

In 1961, that segment of the industry decided on a federal marketing order. It was called the Marketing Order for Central California Grapes for Crushing. I didn't have anything to do with that order, but I do know it was in effect for two crop years, if memory serves me correctly.[1] The purpose of that order was to try to assert some form of constraint on overproduction and provide for diversion of the surplus into non-normal channels. The surplus was actually diverted to various

[1] It was voted out by referendum and discontinued after June 30, 1964.

products (dessert wine, brandy, and concentrate), and it did, to a limited degree, stabilize conditions a little better than they would have been without it. Some 475,000 tons of grapes were diverted in the two years the program lasted.

It reminded me, in many ways, of the diversion plan under the prorate program back in the 1930s, which also called for the diversion of surplus. At any rate, the 1961 program under federal jurisdiction, as I say, lasted only two years, as I recall it, and was terminated. That was the last of any such stabilization efforts, to the best of my knowledge, by the industry.

Teiser: One of the fruit marketing orders had a program, whenever there was a surplus looming, of getting some of the crop out of the way before it was harvested. A green drop program.

Gomberg: My recollection is--and it may be faulty--that while that concept was debated and discussed, and may have been incorporated in one or more of the marketing programs--that would be especially the one Marketing Order for Wine Processors--it was never employed. Green drop was never actually done for grapes, to the best of my knowledge.[1]

Teiser: Would it be applicable today?

Gomberg: I have reservations about that because grapes are a very dynamic product that can change from bad to good or good to bad during the growing season, so that if you were to have a green drop program--which means cutting off the surplus which appeared at that time--and then frost damage occurred and destroyed a good part of the crop, that would then create an artificial shortage. Also, it is not possible to accurately measure the size of a crop prior to actual harvesting, and so what might appear to be a surplus crop could turn out to be no surplus at all, and the green drop would simply have created an artificial scarcity. No, I don't think the green drop concept makes much sense because of the dynamics of grape growing.

Teiser: If someone said to you today, "Outline for us a stabilization program,"--

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[1]A voluntary green drop program was suggested under the federal Marketing Order for Central California Grapes for Crushing, but was not approved by the growers.

Gomberg: [laughs] I was in hopes that you would ask that question, because I have discussed my ideas of a sound stabilization program that, to me, make abundant economic sense for the industry, and at the same time abundant public sense as far as the impact on the consumer is concerned, for that reason is equally important.

To my way of thinking, what the industry has needed, ever since it became evident that surpluses (normal) would be followed by a year or two of scarcities, which then would be followed by more surpluses; that since most years the industry would over-produce and a few years it would under-produce, and so on, and so on--it seemed to me the logic of the situation called for--and this goes back to my proposal of 1952--a good, sound, continuing healthy balance between supply and demand, as best that relationship could be determined from available data. All intended to lower the peaks of price and raise the valleys of price-depressed surpluses.

My thinking has gone in this direction, and I believe, unless I'm very much mistaken, someday the industry will come around to this way of conducting its affairs. There will be no prohibition against new plantings, for example. In France and Italy and other places where there have been grape surpluses, there have been laws prohibiting new plantings when the surplus has reached a certain level. I don't believe in that.

What I believe in is an alternative to that. Let the grower plant all he or she chooses. However, each year a board in charge of activities of the industry, responsible to the people of the state, would determine what size of crop is needed to supply the fresh market, what supply is needed to supply the raisin market, and what supply of grapes is needed to supply the wine and related markets that include brandy and concentrate. Each grower would be given, in effect, a quota: "This is it." Based on past experience and present capability, each one would be given a quota, and the effect of that would be to discourage excessive overcropping and would also discourage overplanting. Because you can't prohibit overplanting, but you can say, "If you, Mr. Grower, have a quota of a thousand tons for the wine market, and you, as a result of overcropping and/or overplanting, now have 1,500 tons, you can grow those 1,500 tons, all right, but instead of paying an assessment of a dollar a ton on each of the thousand tons that you are given authorization to produce, you pay $20 a ton, or $50 dollars a ton, or a hundred dollars a ton--some enormous figure so the grower thinks twice before overcropping or overplanting. The

same principles would apply to grapes for the fresh market and for the raisin market, but each one would have its separate quota system.

I think that method, someday, will come into use, because to me it makes the only sense that I can think of over control of production. Otherwise the growers will overcrop and they will overplant, or both, and the result is depressed market again--over-supply.

As far as the market end is concerned, the basic policy of the industry over the last fifty-plus years, since the repeal of Prohibition, has been at best an occasional public relations or promotional piece, and for a while advertising, which was discontinued way back in 1957, I think. There's been no industry advertising that I'm aware of, except a few medical journal ads, since 1957, and even then only for a short time.

Instead of that kind of promotion, the industry has been in great need, in my opinion, of carefully researched studies to evaluate what will cause wine to become far more widely used in America than it is now and has been at any time since Repeal--in fact, since the beginning, which goes back to the late 1700s, when the wine industry started--not as a commercial industry, but by the Franciscan fathers who planted the original vineyards and made the wine mainly for sacramental purposes.[1]

My feeling is that there has never been, in all the years I've been in the wine industry--this is now my 55th year--a conscientious, creative, intelligent effort to seek the mass market in America, like the beer people have, for example. I think I reported what the Roper study revealed, that the average American thought wine was not a drink for Americans, but was a drink for rich people, foreigners, and bums. The situation is pretty much the same today, except the foreigners have disappeared, because there are no longer any Western European immigrants in big numbers, as there had been in the 1800s and early 1900s.

Consequently, the great mass American market has never been approached, let alone tapped, by our industry. There is desperate need to go after that market. That's where my idea of U.S.A. Brand All-American Red, White, and Blue wines comes in. That's not necessarily the best answer or the only answer, but

[1]And for their own tables.

it's an approach that I think is desperately needed: go after the mass market. We've never done it.

Gary Heck, Adolph Heck, and Louis Gomberg at the 100th anniversary celebratio
of the Hecks' Korbel Champagne Cellers, 1982.

RECENT MARKET FACTORS

Causes of Decline in Consumption

Teiser: At present there is some impact of anti-alcohol movements on the market. We talked about the decline in wine consumption--do you think they're a major factor in that?

Gomberg: Yes. Not the only factor, but a major factor. There have been other reasons, too.

Teiser: What are the others?

Gomberg: For example, wine coolers have declined substantially in volume, in my judgment primarily because a good part of the wine cooler market was illegal--in other words, consumption by persons under the age of twenty-one, which is the minimum age in most states. Parents and others got after them and caused them to stop or reduce their consumption. That's one reason for the decline.

Another reason for the decline is that a substantial part of the increase in consumption of wine in the 1960s and 1970s and up to the early 1980s was a result of the use of wine, to a large degree, by women as a replacement for spirits beverages as a before-meals, especially evening meals, appetizer beverage. I think, to some degree, that market has declined because, like so many things that have happened in the wine industry, there have been periods of rises followed by periods of falls, and I think that market was over-sold, so to speak. The demand for a time was far in excess of what would become stabilized as a normal market. So that, too, helps to explain in part the decline in wine demand.

And then it is true, to some degree, that part of the reason for the decline is a shift by consumers from what are called jug wines to premium-priced wines, and in so doing causing a decrease in the volume consumed. Why? Because a small number of dollars would buy a substantial-volume container of so-called jug wine, whereas those same dollars would buy a much smaller bottle of premium-priced wine. That's another reason for the volume decline. Interestingly, despite the volume decline, dollar revenues from sales reached an all-time high in 1989.

Teiser: Maybe some people got tired, as I did, of going to receptions and being served poor white wine.

Gomberg: There no doubt has been some of that, but I'm not inclined to think of it as a matter of wine quality, because it's been my observation--and, of course, I'm prejudiced--that very little undrinkable California wine has been produced in the last twenty or thirty years; very little, because of the remarkable advances in wine quality technology, especially by the University of California at Davis.

Foreign Interests in The California Wine Industry

Teiser: I wanted to ask about foreign ownership. I read an interview with you, fairly recent,[1] in which you said that we'd always had foreign ownership. You brought up people of German birth, the French de Latours, and so forth--the foreign-born people who started wineries here, which, of course, is true. On the other hand, in recent years there's been investment by absentee owners, which is quite a different thing.

Gomberg: Yes, that's true. However, taken in the total context of all ownerships, all volumes of wineries, the number of foreign-owned wineries in relation to the number of wineries owned by Americans is still relatively small.

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Gomberg: The great preponderance of the industry's volume today--and I'm speaking now not just of the California wine industry, but the

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[1] In the Santa Rosa Business Journal, Special Supplement, October 1989.

wine industries of all other states--is represented by the E & J Gallo Winery. If you take the next several wineries in size after E & J Gallo, you find that while number two happens to be Grand Metropolitan of London, it takes Grand Metropolitan's volume plus the volume of ten more wineries combined just to equal the Gallo volume. Of those ten more wineries, off the top of my head I can't think of any of them that is foreign-owned. Grand Metropolitan isn't even one third the size of Gallo.

Number three is Vintners International. You could argue about that and say, "Well, Seagram did own it, and Seagram is a Canadian corporation." Yes, you could argue that, but after that you have The Wine Group and--I've got to stop and think, because there have been so many changes.

Teiser: But foreign interests in the aggregate--

Gomberg: The aggregate is still small in volume. We're talking about volume now. You could argue and say, "Maybe in gallonage volume they're small, but how about dollar volume?" I would have to concede that, yes, in dollar volume they are bigger than they are in gallonage volume because practically all of the foreign-owned wineries are in the higher-priced premium-wine brackets. None of them is solely in the low-priced bracket. That's true.

Teiser: Do you see more foreign investment coming in?

Gomberg: Yes. I believe that it will continue to do so as long as California maintains its reputation for quality excellence, and the economy of the industry remains sound at the premium level. As long as the premium-priced level continues to hold its strength, so to speak. That segment of the industry was growing at the rate of close to 20 percent per year for about ten years, and last year it dropped down to, I think, 6 percent growth; but it was still growth.

And, by the way, if you have no figures on this, my associate successor, Jon Fredrikson, has developed some dollar sales volume numbers of California premium wines and all other California wines. For the first time in history, I believe, he found that in 1989 California premium wine sales dollar volume exceeded that of all the rest of the industry, even though in numbers of gallons and cases the premium segment represents only about 25 percent of the totals.

Teiser: For the long run, then, it looks as if the premium segment is okay.

Gomberg: Yes, it's healthy and has been growing steadily over the last ten to twenty years.

Imports

Gomberg: The import segment I don't think we've mentioned. The import segment has undergone drastic losses. They were growing at an incredible rate, there, in the seventies and up to the middle eighties, and reached a level, if memory serves me correctly, of somewhere in the neighborhood of 140 million gallons at their peak in 1984 (142.4 millions, to be exact). The proportion of total import volume of all wines consumed in America that year was in excess of 25 percent. That imports volume has now dropped from over 140 million to less than 80 million--a drastic loss. And in percentage of industry total, imports' share has gone from over 25 percent down to about 16 percent.

That decline, in my judgment, occurred primarily as a result of three developments. One was a scandalous situation that pertained to Austrian wines, as I recall, injuring both German and Austrian shipments into this country. Then there was another scandal involving Italian wines that deeply and adversely affected shipments of Italian wine into the United States following that disclosure. The third reason was the reduced purchasing power of the dollar, calling for more money to be paid for these imports in terms of American dollars. The combination of those three things was responsible primarily for the drop in imports, I believe.

I remember some years ago, when imports were rising from 15 to 18 percent of the total market, then 18 to 21 percent, 21 to 24 percent, and finally 24 to 26 percent, headed apparently for 30 percent. I gave a talk to an industry group, in which I said, "At the rate they're growing now, they're heading for about 40 percent of the total U.S. market, maybe more." But little did I dream or know, at that time, of these scandals that would cause severe drops in imports, plus of course the decreased purchasing power of the dollar.

Prices and Demand

Teiser: In the meantime, the prices of our wines have shot up. Is that not so?

Gomberg: Yes. The comparatively high prices for California premium wines in the past five years or so can be attributed to a combination of things. One, of course, is increased demand at the consumer level, which has been growing steadily, as I mentioned earlier. For a time, the average annual increase was around 20 percent over a ten-year span. Even though the increase dropped down to about a 6 percent gain last year, it was still growing. Also, the cost of raw materials--grapes--used in the production of most of these premium and other higher-priced wines had risen substantially, from an average of about $350 a ton in the mid-1970s (fifteen years ago) to an average in 1989 of over $900 a ton--more than a 250 percent increase.

Teiser: If the wineries had objected strongly enough, wouldn't the price of grapes have stayed down?

Gomberg: No, I don't think so. You say if the wineries had objected; well, if the market was demanding they produce a certain quantity from a certain variety of grape, they're not going to say, "Mr. Grower, I'm not going to pay your price, even though I've got a market for the product." It's been a supply and demand situation all along. I'm not talking about all grapes crushed in California, the average price of which includes predominantly grapes grown in the Central Valley where price averages are far below those of the coastal counties. It's just the North Coast grape price average that has risen substantially. So, as I've stated, market demand requires that you must pay the market price for raw materials, whatever it might be, or go out of business.

Teiser: The retail price of economy-priced wine, for instance, has grown, too.

Gomberg: Yes, but not to anywhere near the extent of premiums. I assume you also meant popular-priced wines, where the preponderant volume still prevails. You can still buy wines of that quality and price range at levels comparatively far less higher than the increase in prices of premium-quality wines from premium grapes. I haven't done an arithmetic analysis of that, but I would say, judging from what I observe, I see bargain prices, now, of wines in four-liter containers, which is a super-jug size, equivalent

to less than a dollar a bottle. Even in the severely depressed times of the past twenty-five years, a bottle would still bring anywhere from fifty to seventy-five cents, so comparatively speaking, the price of these economy and popular-priced wines in larger sized containers today is still relatively low.

Teiser: If they kept that price down even lower, would that increase their share of the market?

Gomberg: Not in my opinion, because, you see, the studies that have been made of the markets for wine in this country, to oversimplify, consist of these demographics, looked at purely from the standpoint of education, income, and societal status. The latest study that I saw showed that about 85 percent of the market for wine in this country--I'm talking about table wines, now, not about dessert wines--is accounted for by only about 15 percent of the adult population, which I call the elitist and semi-elitist trade.

The great mass of the population, excluding the elitist and semi-elitist trade--and, by the way, by elitist and semi-elitist is meant above-average income, above-average education, and above-average societal awareness and consciousness--in other words, the other 85 percent of the population consists roughly of about one-third drys who will never touch wine or any other product containing ethanol; and the other two-thirds enjoy beer, perhaps, and some spirits, but almost never any wine. In numbers, that segment of the population, by my best estimate, comes close to about 100 million people. So we have a great untouched mass audience yet to be reached by wine.

Teiser: What percentage of the volume of wine is in Skid Row wines?

Gomberg: My best estimate is this, looking at the whole picture: at its peak, the market for wines over 14 percent ethanol reached about 108 million gallons. That was in the mid 1950s. At that time I estimated that the so-called Skid Row trade accounted for not more than about one-third of that 100 plus million gallons. The other two-thirds consisted of the great mass of the people who had a glass or two of port occasionally, or of sherry occasionally, et cetera. But about one-third of it was consumed by a small segment of the American public, consisting of the unfortunates occupying so-called Skid Row.

That 108 million has dwindled to a little over 50 million, about half that market having disappeared. So the question now is, of this remaining 50 million, how much of it is the so-

Louis R. Gomberg at his desk, 1973.

Photograph by *Wines & V*

called Skid Row trade, and how much of it is the legitimate, normal trade? Again, no one has measured it exactly. My best judgment is that it probably now represents something more than one-third of the market, which it did when it was 108 million. My guess is that it's probably close to 40 percent, but certainly no more than 50 percent. The balance is still consumed by the average American as a temperate, healthy beverage.

Teiser: That 40 to 50 percent, I suppose, could go down if there is enough social pressure on it.

Gomberg: That is the theoretical reasoning. My pragmatic reasoning tells me that while it may go down, it will probably come back again, for a very simple reason: it's the cheapest form of ethanol (notice I don't call it alcohol), and if they can't buy it on Skid Row, they'll find somebody to move to another part of the locality and pick up a case and bring it to Skid Row. In other words, they'll still get it somehow. I don't think it will materially reduce the quantity consumed.

The regrettable fact of life, in my opinion, is that this whole attempt to reduce the abuse (and that's what it is) of these wines by this so-called Skid Row trade will never be solved by trying to prevent them from having access to the product. The problem is a societal one. Our society creates conditions, not willfully, but allows conditions to develop that cause these poor unfortunates to exist. The solution to that problem and the abuse of wines used by them is to eventually reduce and eliminate that branch of society.

Anti-Alcohol Movements##

Teiser: Do you think they're here to stay, all these efforts to cut down alcohol consumption and equate it with drugs?

Gomberg: The so-called temperance movement is a misnomer, as you know. Prohibition is the proper term; they seek not temperance but the return of prohibition, just as they would like to prohibit drugs, too. I think there is justification for prohibition with drugs, because I don't know of any favorable social use to which drugs are put--I'm talking about heroine, cocaine, crack, and some of these other drugs.

Teiser: Do you see any future decline in the anti-alcohol sentiments from the various reformist groups?

Gomberg: No. I think that, based upon what reading I've done, the so-called anti-alcohol movement has been with us for at least 150 years. It's of interest to know, in case no one has mentioned it yet in any of these taped recordings, it's my understanding that thirty-two states out of the forty-eight were already bone dry before national Prohibition in 1918.

Teiser: These movements come up and go down, as shown by the repeal of Prohibition.

Gomberg: I wouldn't put it in that context. No, here's how I'd put it: Prohibition came into being largely because groups of people--one was called the Women's Christian Temperance Union, and the other was called the Anti-Saloon League--pursued a crusade. They made a career out of bringing about Prohibition on the grounds that all forms of beverages containing ethanol were evil, not only from a societal standpoint, but from a religious standpoint, too, and should be prohibited. That was never true, it isn't true now, and it never will be true, because some, as you know, of the greatest figures of history have praised the use of wine in moderation as a major contributing factor in an enriched and fulfilling life.

Now, whether that's also applicable to beer and spirits, I'm not prepared to say; I haven't read any studies in those fields. But as far as wine is concerned, when Thomas Jefferson praised wine, as he did abundantly; when Socrates praised wine, as he did abundantly; when Louis Pasteur praised wine as the greatest beverage, et cetera, et cetera, et cetera. These were not crazy people, these were not wild people; these were perfectly sane, highly cultivated people who recognized the value of wine as a beverage of moderation.

Teiser: What brought about, then, lessening of prohibitionist fervor?

Gomberg: That led to Repeal? There was no let-up, up until the time of the enactment of the Eighteenth Amendment. That was the peak of their achievement in this country. I lived through the Eighteenth Amendment, so I have personal knowledge of what went on. The great preponderance of people in this country obviously considered Prohibition a regrettable joke. There was no way to enforce it. Speakeasies were to be found in every city in the country, bootleggers were to be found in every city in the country, with people using mostly spirits, because very little

wine was produced for sale, but a tremendous amount was produced for home consumption.

The dry movement reached its peak with the passage of the Eighteenth Amendment, but because of the fact that from a practical standpoint it didn't work, people found numerous ways of cheating and defying the law, and this was true all over the country. Prohibition created the Al Capones and goodness knows how many other despicable violators of the law. The net result was that by the early thirties it was the consensus of most rational people that the drys had had it; Prohibition didn't work, so let's get rid of it. As you know, President Roosevelt ran on a repeal platform, and within a very short time--in fact, within the month upon taking office in March 1933--Congress itself repealed the Eighteenth Amendment in part by legalizing beer and wine containing not to exceed 3.2 percent alcohol by weight (4 percent by volume). That was just nine months before the Twenty-First Amendment was adopted, repealing the Eighteenth Amendment.

Now, you wonder about the dry movement. As a result of that repeal effort, the drys took cover and did not assert themselves for some time. We're talking now about a period starting with the early thirties and ending, I would say, with the late seventies. It wasn't until the late seventies that we began to see evidence of the drys at work again, trying to bring back Prohibition. We now call them neo-prohibitionists.

Teiser: This time, however, they are different groups.

Gomberg: Yes, it's taken a different form than it did in the days prior to and during Prohibition. It's no longer the Women's Christian Temperance Union, although that still exists, I'm told. The Anti-Saloon League long ago passed out of existence. But there are now all kinds of organizations. One, for example, is called Center for Science in the Public Interest, the promoter of which, a gentleman named Michael Jacobson, says, "I'm not in favor of prohibition; I just want abuse stopped." Well, if he was honest about it, he would go after the <u>causes</u> of abuse, not the <u>results</u> of abuse. The causes of abuse have nothing whatsoever to do with the product, any more than the causes of 55,000 people killed on the highways each year are traceable to automobiles. You don't hold the automobile to blame for it; you hold the driver of the automobile responsible. Similarly, the fault is not the product. The fault is society's failure to take affirmative action to preclude abuse of the product.

Teiser: Someone asked me not long ago what were the main forces behind Prohibition, and I said women and churches.

Gomberg: That's correct.

Teiser: Neither of which is very evident now, except Mothers Against Drunk Driving.

Gomberg: Well, yes. Everybody's against drunk driving. It shouldn't be limited to mothers; it should be human beings against drunk driving.

HONORS FROM WINE ORGANIZATIONS

Teiser: I know you've been active in wine-related organizations. What are some of them?

Gomberg: I have, for reasons unknown, been cited by the Society of Wine Educators, California Association of Wine Grape Growers, Brotherhood of the Knights of the Vine, and quite a number of others, including "Wine Man of the Year," awarded in 1984 by Wines & Vines, the highly respected wine industry trade journal.

Teiser: As being an outstanding wine person, I suppose?

Gomberg: Yes, as a contributor to the, let's say, heightened acceptance of wine as an enjoyable factor in enriched living in this country.

Teiser: What do you think the importance is of such organizations?

Gomberg: I consider them all important contributors to a fuller life. The Brotherhood of the Knights of the Vine is an international organization of wine consumers. The Society of Wine Educators is an organization of largely professional people who are knowledgeable about wine and are able to address the subject of wine and its intelligent, civilized, moderate use in educational circles--colleges, universities, publishers, trade organizations, business conferences, and that sort of thing. The California Association of Wine Grape Growers is an association of growers here in California, and they have a definite role in the future growth and development of agriculture and the wine industry, since it's their product that provides the basis for wine production. The Wines & Vines symposia contribute immeasurably to a better understanding of the wine industry and its role in society.

Teiser: Do you think these various organizations together, including wine and food societies and so forth, have much impact on consumers?

Gomberg: The word impact, of course, is imprecise, so it's hard to respond to that except to say that in the aggregate, in my opinion, they do influence public understanding of wine and its civilized use. But not as a result of their collective, unified action; there is no such unification, to the best of my knowledge.

Teiser: Do they increase consumption?

Gomberg: I would say they are certainly factors in the increased consumption of premium wines in the past ten or fifteen years. They have not impacted to any noticeable degree, however, upon the other segment of the industry, the so-called popular-priced and economy-priced wines, which are still in their earliest infancy in the U.S.

MAJOR POST-REPEAL MARKET DEVELOPMENTS: A SUMMARY

Gomberg: I think I may have said this before here: There have been three major developments in the wine industry of this country since the repeal of Prohibition. The first development was the stunning growth of dessert wines. The runaway growth began in the first year of Repeal, 1934, and continued to its peak, which I believe was reached in 1955, twenty-one years later. The industry had little to do with promoting the development of that market because, as I mentioned earlier, it consisted, to a substantial degree, of product abuse by the unfortunates on Skid Row. However, that market did grow, and it was also a popular beverage among a segment of the masses, but to a very limited degree because they consumed relatively little per capita. Table wines were almost unknown to the average person in those days.

In the mid-fifties we began to see the results of the second major growth development in the wine industry of this country: table wines. That development is what I call the affluent society growth period. Here's what happened. After World War II, travel to Europe increased tremendously. Millions of people, many of them schoolteachers, visited Europe, and many came back as wine converts, starting the ball rolling toward increased consumption of table wine. Prior to the mid-fifties, table wine consumption in the United States was quite flat and nominal. It began to expand about 1955 for the reason just stated, and grew from a base of about 35 million gallons a year between 1948 and 1955, to a maximum average peak in 1982-1984 of 400 million gallons. Now, that's massive growth.

The third major development since the repeal of Prohibition is a heterogeneous group I call specialty wines. The giant in this category has been wine coolers, which peaked at 122 million in 1987. Another but much smaller one has been pop wines, which grew to a peak of around 50-plus million gallons in the early

seventies. Sangria, Cold Duck, and Lambrusco were other outstanding examples of this category, but on relatively small volume levels. These are all specialty wines; they're not traditional table wines and they're not dessert wines. In the aggregate, they represent a significant portion of the total wine market, however.

Almost all of these specialty wines have had sharp volume increases, followed by market flatness and then declines. In the aggregate of these wines today, the great preponderance of the volume that's still left, after reaching a peak of over 120 million gallons, is wine coolers. (In total, coolers are still close to 85 million gallons.) The Sangrias are way down, the Cold Ducks are way down, the Lambruscos are way down, and so are most of the others. Exceptions are believed to be Thunderbird, Richards Wild Irish Rose, and Night Train Express.

Those three groups--dessert, table, and specialty wines--have been the three major growth categories that I've observed. I don't know if that's ever been written anywhere, and it may be that others will have different points of view, but that's the way I perceive it.

Teiser: What's next?

Gomberg: According to the best estimate and judgment of my successor, Jon Fredrikson, total wine sales in the United States in 1990 will be almost 100 million gallons less than it was at its peak in 1986. That's a drop of close to 20 percent, enormous in a period of five years, when most of us were looking forward to continued growth at a rate of at least 3 percent per year--the prevailing average for over fifty years. That's shocking. The question is, "Now what's going to happen?" Nobody knows. The premiums, as I mentioned earlier, have more than held their own; in fact, have shown marked growth despite the drop overall. In my opinion the big drop in all three fields--dessert wines, non-premium table wines, and specialty wines--has about reached its lowest level, unless the drys are successful in their neo-prohibition efforts beyond anything they have achieved up to now. I am in hopes that the industry, as I said earlier, will adopt a program of some kind to restore this 100-million-gallon loss that we've suffered now in the past four years, and in addition to that start building again for the future so that we show some growth each year, instead of the declines that we have seen in the recent past.

It's all very discouraging to those of us who have been conditioned to think in terms of annual growth, as I have. Because during the first fifty years of my lifetime career in the industry, up until the mid-eighties, every year showed some growth. Well, once in a while it was flat, or may have been down slightly and temporarily, but except for those occasions it was up, up, up, year after year.

One of the things we have to do, in my opinion, is to address the problem of wine semantics, both intelligently and aggressively. By wine semantics, I mean doing something to counteract and eventually to limit, if not to prohibit, such terms as "drunken," "drinking," "intoxication," "booze," "alcohol," "alcoholic," "drugs," et cetera, as all applied to wine--all the evil connotations that the drys have succeeded in identifying with wine, plus, of course, beer and spirits. The wine industry has done virtually nothing in that direction. There's great need for a pro-semantic counterattack.

Teiser: I'm very grateful to you for putting all this thought into the interview. I hope I haven't worn you out.

Gomberg: Oh, no, I'm just beginning!

Transcriber and final typist: Judy Smith

TAPE GUIDE -- Louis R. Gomberg

INDEX Louis R. Gomberg

Wines mentioned in the Interview

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Born in Portland, Oregon; came to the Bay Area in 1932 and has lived here ever since.
Stanford University, B.A., M.A. in English; further graduate work in Western history.
Newspaper and magazine writer in San Francisco since 1943, writing on local history and business and social life of the Bay Area.
Book reviewer for the San Francisco _Chronicle_, 1943-1974.
Co-author of _Winemaking in California_, a history, 1982.
An interviewer-editor in the Regional Oral History Office since 1965.